

# THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE  
BRITISH COMMONWEALTH

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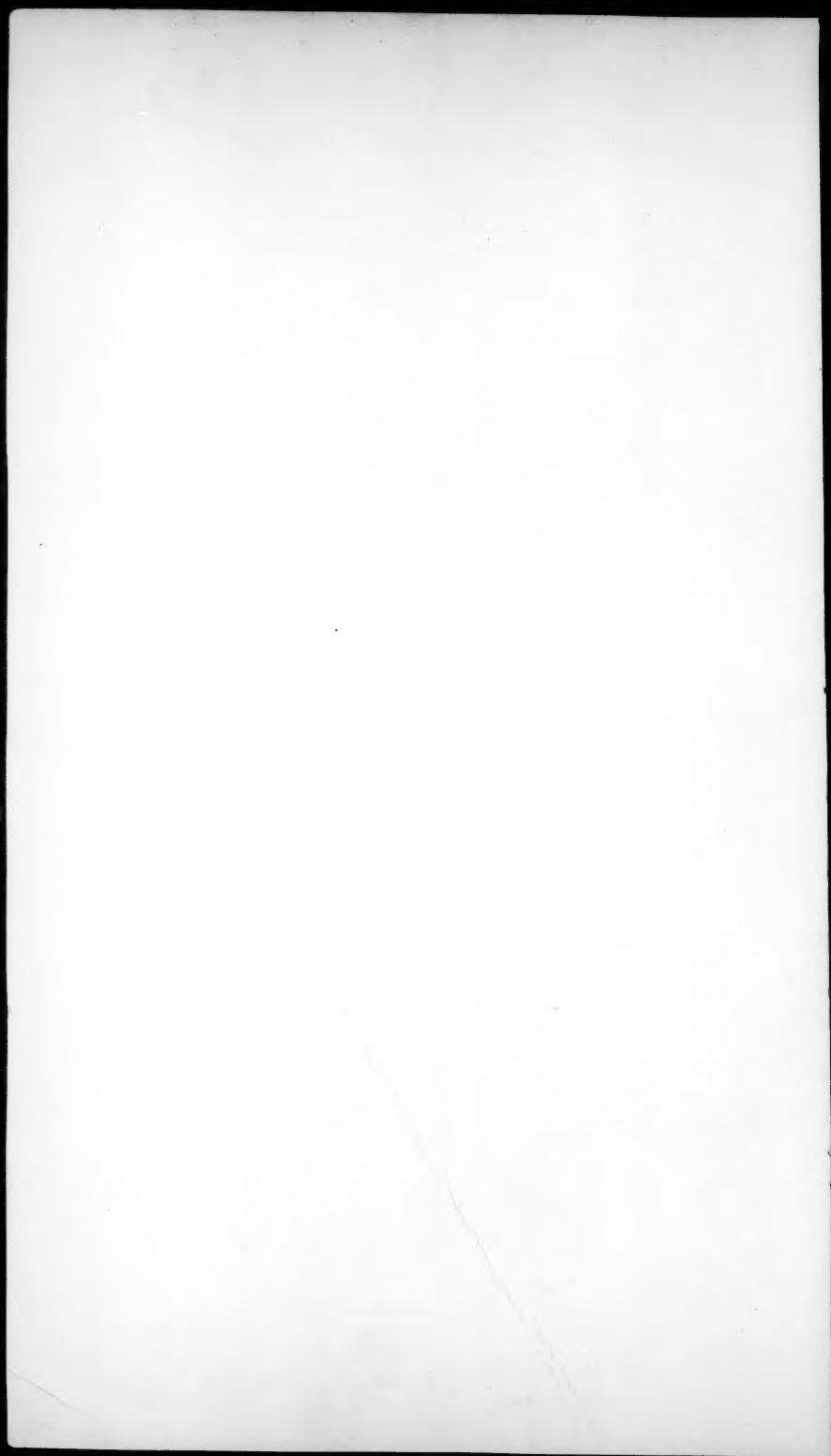
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## THE IMPERIAL COMPLEX ✓

### I. THE CONSTITUTIONAL PROBLEM

**D**URING the past six months there has been a great deal of debate in all portions of the Empire about the future of the Commonwealth, and especially about the relations of its self-governing members towards one another in their dealings with international affairs. This has been partly due to the realisation that some of the main assumptions about the British Commonwealth, which were current during the war and afterwards, had broken down, and partly to the fact that an Imperial Conference was due to assemble this autumn at which the constitutional problems caused by this breakdown were likely to come up for consideration. An extremely interesting summary of that debate as it has gone on in the Dominions, and especially in Canada, where the question has, perhaps, been most actively canvassed, written by a traveller who has recently visited Canada, Australia and New Zealand, appears in another part of this review, under the title, "Locarno and the British Commonwealth." It is an article which deserves the consideration of all students of the problems of the modern British Empire.

The upshot of six months' debate, so it seems to us, is a definite and most welcome clearing of the air. On the one side, it has become plain that the majority sentiment in all parts of the British Commonwealth is as convinced as it ever was during or before the war that the Common-

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wealth is an organism which is valuable to the nations and peoples of which it is composed, that it is a factor for peace, order and freedom in the world, and that it would benefit neither its members nor the world that it should be dissolved. Indeed it is evident that any attempt to dissolve it would probably lead to civil war. On the other side, it has become no less plain that each of the self-governing nations within it takes it for granted that it is its own Parliament alone which decides what action, if any, it will take in the international problems with which the Empire has to deal. Opinion in Canada and South Africa differs a good deal from opinion in Australia and New Zealand in the degree to which it is willing to commit itself to support the foreign policy of the British Government, especially in Europe, but there is no difference about the fundamental point that the six Parliaments of the Commonwealth are the only authorities which can effectively speak for or bind the six nations which elect them.

The practical problem of the Empire to-day is how to reconcile these two fundamentals, unity and responsibility, in the conduct of foreign affairs.

The difficulty of the present-day situation is largely due to the fact that the assumption which has governed the conduct of foreign affairs since the appearance of the Imperial War Cabinet in 1917—namely, that it was possible for the six self-governing nations of the Empire to consult together sufficiently continuously and sufficiently effectively to formulate a common policy for dealing with foreign affairs, and to make themselves jointly responsible for such a common policy—has broken down. The system worked triumphantly at the Washington Conference on the Pacific and naval disarmament. It began to weaken at Chanak. It was badly strained at Lausanne. It was only maintained by a fiction during the London Conference on Reparations. It disappeared altogether at Locarno. The theory of joint responsibility for a joint diplomacy having thus gradually failed, no clear-cut and easily under-

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standable alternative has been accepted and put in its place. The malaise of the last year or so in inter-Imperial relations, the deadlock in devising any intelligible or effective system of inter-Imperial communications, is due not to any real difference about the foreign policy to be pursued, but mainly to the fact that nobody quite knows where they are. It is one of the first tasks of the Imperial Conference to remove the uncertainty and define a new basis for the conduct of the foreign policy of the Empire which will conform to the facts and make harmonious and confident relations between its parts once more possible.

What is the root of our present-day difficulty? It is well defined in the article already referred to as "the dislike of definite committal." That, in our judgment, represents the exact position. It is a perfectly natural dislike. Canada, which is menaced by no external militarist danger and whose chief foreign interest is the maintenance of world peace, and South Africa, which is also free from direct external menace and is preoccupied with the colour problems of the centre and south of the African continent, instinctively and naturally dislike any system of inter-Imperial relations which seems to commit them to entanglement in what Sir Wilfrid Laurier used to call "the vortex of European militarism," even though they generally approve of the efforts of Great Britain to maintain the peace in Europe. They are interested in the League of Nations, and they are concerned with the independence and security of all parts of the Commonwealth, but their first instinct is to avoid definite commitment of any kind in Europe. The attitude of Australia and New Zealand in foreign policy is somewhat different. They are much more obviously dependent for their security on the British navy. They are, therefore, much more ready to back British policy in Europe for the reason that they want the backing of the British navy for their policy of a white Australasia in the Pacific. The attitude of Ireland is still obscure. Geographically part of Europe, her external policy is still

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largely dominated by the ultra-nationalist philosophy of the Sinn Fein era. Looked at as a group, all the Dominions want to escape from the burden of constant international responsibility, in order that they may concentrate on the development of their own empty spaces. Great Britain, already a fully peopled land, and endowed with immense possessions which she has to manage and protect, has no similar feeling. The predominant feeling overseas is not that any unit wants to break up the Commonwealth. It is that they do not wish to be involved in responsibility for the day-to-day conduct of international affairs, or to be actively involved in them, except when world problems of the first importance are to the front, or when the vital interests of the Empire or one of its nations are in jeopardy.

This limited commitment, however, is not so easy to secure as might at first sight appear, for the British Commonwealth is a world-wide structure and cannot help being affected by events in every part of the globe. World peace, too, cannot be achieved merely by keeping out of entanglements, but only by dealing with world problems effectively while they are still malleable and soluble. Moreover, under international law and in the view of all foreign nations, the Commonwealth is a single international entity. It is presided over by a single sovereign, and it goes to war and makes peace as a unit, even though, as at Versailles, for internal reasons, it requires to be represented at Conferences by an embarrassingly large number of plenipotentiaries. Yet that means that when Great Britain, in pursuance of her policy or her treaty obligations in Europe or elsewhere, goes to war, her partner nations are *ipso facto* placed in a condition of belligerency also. They may take no active part in the war, but under international law they have the status of belligerents with all the liabilities and obligations that that status implies. It is equally true that if the King on the advice of one of his Dominion Governments went to war, Great Britain and the rest of the Empire would also be at <sup>T</sup>war. Yet, if the foreign policy of the Empire

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is no longer to be regarded as one to which its six nations have jointly agreed and for which they are jointly responsible, this means that Great Britain—or any Dominion—in pursuit of her own external policy can commit her partners to belligerency without their consent—a state of affairs inconsistent with the doctrine of responsibility.

At one time it was suggested that the dilemma might be solved by arranging for a formal notification to be made to all foreign nations that a declaration of war by Great Britain did not commit the Dominions to belligerency, and that no self-governing portion of the Empire would be in a state of war except as a result of a declaration to that effect by its own Government. On examination, however, this solution proved to be no solution, because it was seen to involve the dissolution of the Commonwealth itself. In order to make it effective it would be necessary in the event of war for any part of the Empire which wished to escape belligerency to make a declaration of neutrality. This would mean that it would have to intern any British soldiers or officials who happened to be within its borders, it would have to refuse its harbours and ports to British vessels of war, it would have to give trade facilities to the enemy and allow it to use its territory for legitimate purposes of espionage, propaganda, and so on. Inasmuch as it is obviously impossible for the Crown to be both at war and at peace or neutral at the same time, a declaration of neutrality would in fact be a declaration of secession, with all the consequences, constitutional and otherwise, that that would entail. British citizenship, with all that it means for travel and business in all parts of the world, would disappear. It is obvious that under existing circumstances there is no way out along this line, for the sentiment of Imperial unity is strong enough to forbid it.

What, then, is to be done? There would seem, for the present, to be only one practical course, and that is to face the facts as disclosed above and to act upon the practical conclusions which derive from those facts. The

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solution thus arrived at may be illogical and anomalous, but that is no novelty in the British Commonwealth, nor has want of logic or theory destroyed its working utility in the past.

The central fact is that the theory of a single foreign policy for the Empire, jointly arrived at and jointly backed, has broken down because the external relations of the Empire and its member States are too diverse to be forced within so narrow a system, except when a single supreme issue, like that of the great war, absorbs the attention of every part. It seems obvious that a distinction must be drawn between external problems which are of local concern and external problems which are of Imperial concern. It is perfectly clear that Canada, Australia, South Africa and New Zealand regard the problems of Europe—indeed of the outside world as a whole—as primarily Great Britain's concern. Most of the time these problems present no aspect which vitally affects the other nations of the Empire. But at times they may assume a form when they become of vital importance to one or more of them. Australia and New Zealand, and to a less extent Canada, are actively interested in Pacific questions. South Africa is actively interested in all that goes on in the neighbouring territories. The security of Australia, New Zealand and South Africa depends upon the British navy. All parts are deeply concerned with freedom of communications by sea, for their trade depends upon it. All parts are concerned with war anywhere because war may always develop into world war. Whenever any of these issues come to the front, or when Anglo-American relations are involved, the Dominions will certainly demand an effective voice in the foreign policy of the Empire. But at other times they seem to regard the day-to-day dealing with the multifarious problems of Europe, Asia, the Near East and South America as primarily Great Britain's business. They think that she has the experience to enable her to handle these problems. They know that she has the equipment for dealing with

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them. Their main desire seems to be that she should continue to conduct foreign policy on her own responsibility up to the time when some of the special interests set forth above become involved, when they would require that joint consultation and joint action should follow.

On the other hand, it is no less clear that the Dominions will increasingly demand for themselves an equivalent liberty of action in those regions of international politics in which they are specially concerned but the rest of the Empire is not. They increasingly resent the interference of the British Foreign Office in such matters, and are increasingly insistent on conducting their own diplomatic negotiations. Canada already deals with Washington direct, as does South Africa with Portugal.

It seems to us that this affords a practicable basis for the conduct of the foreign relations of the Empire under present conditions. It was described in the last issue of *THE ROUND TABLE* \* as follows :—

The reasonable basis of association is surely that the nations of the Empire should recognise that they are equally concerned with world problems, with problems which may end in general war, and with problems which concern the vital interests of any member of the Commonwealth or the Commonwealth as a whole. With such problems they ought to deal collectively and with joint responsibility. Local international problems might be dealt with by each member nation on its own, informing its fellows of what is going on, but not expecting them to share responsibility until they are called in to share in the direction of policy also.

Great Britain in particular should conduct the complicated diplomacy, in which she is necessarily involved by reason of her propinquity to Europe and her far-flung possessions in all parts of the world, on her own responsibility, informing her associate nations of all that is going on, but not expecting them to accept or countersign her actions until their interests are directly concerned.

\* *THE ROUND TABLE*, No. 63, June 1926, p. 474.



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The foregoing basis accords very closely with the developments of the past few years. The greater number of the common international interests of the British Commonwealth are also the concern of the League of Nations, of which each major part of the Empire is a member, and in whose deliberations they already tend to act as a unit. The problems of the navy and of the Pacific were dealt with by a fully fledged British Empire Delegation at Washington. The problems of Europe and China have been increasingly dealt with by Great Britain alone. Canada has taken the management of her North American interests into her own hands.

This system, too, not only accords with the facts of the present-day world and reconciles the unity of the Commonwealth with the responsibility of the nations within it as completely as is practicable, it accords almost exactly with the resolution of the 1923 Imperial Conference about the treaty-making power. That resolution reads as follows :—

“ The Conference recommends for the acceptance of the Governments of the Empire represented that the following procedure should be observed in the negotiation, signature and ratification of international agreements.

“ The word ‘ treaty ’ is used in the sense of an agreement which, in accordance with the normal practice of diplomacy, would take the form of a treaty between heads of states signed by plenipotentiaries provided with full powers issued by the heads of the states and authorising the holders to conclude a treaty.

### 1. *Negotiation.*

“ (a) It is desirable that no treaty should be negotiated by any of the Governments of the Empire without due consideration of its possible effect on other parts of the Empire, or, if circumstances so demand, on the Empire as a whole.

“ (b) Before negotiations are opened with the intention of concluding a treaty, steps should be taken to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views or, when its interests are intimately involved, of participating in the negotiations.

“ (c) In all cases where more than one of the Governments of the



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Empire participate in the negotiations, there should be the fullest possible exchange of views between those Governments before and during the negotiations. In the case of treaties negotiated at International Conferences where there is a British Empire Delegation on which, in accordance with the now established practice, the Dominions and India are separately represented, such representation should also be utilised to attain this object.

"(d) Steps should be taken to ensure that those Governments of the Empire whose representatives are not participating in the negotiations should during their progress be kept informed in regard to any points arising in which they may be interested.

### 2. *Signature.*

"(a) Bilateral treaties imposing obligations on one part of the Empire only should be signed by a representative of the Government of that part. The full power issued to such representative should indicate the part of the Empire in respect of which the obligations are to be undertaken, and the preamble and text of the treaty should be so worded as to make its scope clear.

"(b) Where a bilateral treaty imposes obligations on more than one part of the Empire, the treaty should be signed by one or more plenipotentiaries on behalf of all the Governments concerned.

"(c) As regards treaties negotiated at International Conferences, the existing practice of signature by plenipotentiaries on behalf of all the Governments of the Empire represented at the Conference should be continued, and the full powers should be in the form employed at Paris and Washington.

### 3. *Ratification.*

"The existing practice in connection with the ratification of treaties should be maintained. . . . ."

i.e., "(a) The ratification of treaties imposing obligations on one part of the Empire is effected at the instance of the Government of that part ;

"(b) The ratification of treaties imposing obligations on more than one part of the Empire is effected after consultation between the Governments of those parts of the Empire concerned. It is for each Government to decide whether Parliamentary approval or legislation is required before desire for or concurrence in ratification is intimated by that Government."

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## II. IMPERIAL CONSULTATION

IT is surely possible, if the conduct of foreign policy is placed upon the basis set forth above, to get rid of the deadlock which now prevents the creation of an intelligible and efficient system of inter-Imperial consultation. The present preposterous practice of maintaining in London Dominion High Commissioners who are practically debarred from diplomatic activities and concerned mainly with commercial business, and of keeping in the Dominion capitals Governors-General who are practically barred from being effective channels of communication because they have more and more come to discharge purely constitutional functions, results in a system of Imperial inter-communication which is far less efficient than that which is universal between foreign countries. That we persist with this system of make-believe is mainly due to that dislike of definite committal to which reference has already been made. So long as the theory of joint responsibility for foreign policy held the field it was not unnatural that the Dominion Governments should try to escape from its consequences by a system which enabled them to plead ignorance and that the British Foreign Office should try to secure that freedom for prompt action which is essential to good diplomacy by backing a system in which it could plead that there was no effective means of obtaining Dominion consent, as the justification for its going ahead on its own.

But once the theory of joint responsibility is replaced by a system in which, while the imparting of information is continuous as it is to-day, consultation in the official sense of the word only begins where liability to war, sea-communications, or the vital interests of the Commonwealth as a whole or of any two or more of its members are concerned, the inhibition against placing inter-Imperial

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communications on at least as efficient a basis as communications with foreign Powers ought surely to disappear. It ought to be possible to give to the High Commissioners a diplomatic relation to the Foreign Office, in addition to their relation to the Dominions Office, analogous to that occupied by the ambassadors of first class Powers. It ought also to be possible for the Dominion Governments to begin to build up that diplomatic service of their own, in association with the existing world-wide British diplomatic service, which would enable them to obtain direct information from agents of their own about those international matters which are of special interest to themselves. The problem of the Governor-General is discussed in a later section. Certainly there is no more important work before the Imperial Conference than to place the machinery of communication between the different parts of the Empire and between those parts and the outside world on some more practical and intelligent basis than it rests on to-day.

### III. LOCARNO AGAIN

THE foregoing pages, however, bring into relief the objections to the Locarno treaty which have been noted in earlier numbers of this review. The Locarno treaty involves Great Britain in a definite obligation to go to war in certain eventualities. The Locarno obligations go beyond and are more precise than those contained in the Covenant of the League of Nations or the Treaty of Versailles which were signed by the whole Empire. Yet the Locarno treaty was signed by Great Britain without consultation with or the consent of her partner States, who are indeed, under Article 9, specifically absolved from its obligations unless they voluntarily assume them for themselves.

For the purpose of this article it is not necessary to discuss again the arguments for and against the Locarno treaty.

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This review supported ratification of the treaty because it considered the evils of ratification to be less than the evils of rejection in the condition of Europe as it existed last December. But it is essential that the practice whereby one part of the Empire assumes an obligation to go to war without first obtaining the consent of its partner States should not be repeated. If the unity of the Commonwealth is to survive it will only be because it is able to act together about those vital world problems which involve the risk of world war. That does not mean that every treaty such as that of Locarno should necessarily be approved by all the Parliaments of the Empire before it is ratified, though that is highly desirable, for such formal approval would be very difficult to obtain and would be tantamount to the assumption of an obligation to co-operate actively in war-like action to enforce the treaty, which is a different question. But it does mean that no part of the Empire ought in future to enter into any obligation involving the liability to war unless it has the formal answer of the other parts as to whether they consent to its doing so. So vital a step should never be undertaken unless it has been made perfectly clear whether the other parts are willing to accept the consequence of formal, though not active, belligerency, which its signature may involve.

There is another aspect of Locarno. Speaking in July last, Viscount Grey of Fallodon said apropos of that treaty,

I would like it to be understood clearly that there are only two things in the future for which this country (Great Britain) will fight. One is if we are actually attacked, and the other is that we would fight to uphold the settlement of disputes peacefully and not by war. In other words, if we went to war at all under the Locarno treaties or anything else, it would not be to defend a particular frontier, it would not be to help a particular country, it would be simply to stand up for the principles of the Covenant of the League of Nations.

These are very significant words. Lord Grey's statement hardly seems to be consistent with the legal meaning

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of the Locarno treaty, but it is a powerful reinforcement to the criticism which has been directed against the Locarno treaty in this review on the ground that it involved Great Britain far more deeply in the internal politics of Europe than seemed to be generally understood, that it was inconsistent with the permanent realities of the European situation, and that it contained no provision whereby it could be revised or terminated at a later date. The Locarno treaty will come before the Imperial Conference for its consideration. We trust that the Dominion Prime Ministers will make it clear to the British Government that while they raise no objection to its coming into force if Germany enters the League of Nations next September, they hope that it will not form a precedent for the future, and that some of its features will be modified in the sense of Lord Grey's speech, in agreement with the other signatories, as soon as circumstances permit.

### IV. THE POSITION OF THE GOVERNOR-GENERAL

OF late there has been a good deal of discussion of the position of the Governor-General. This has been partly because of the controversy over recent actions by the Governor in New South Wales and of the Governor-General in Canada, and partly because the tendency in recent years to make the holders of these offices confine themselves more and more to purely constitutional functions and to act less and less as intermediaries between their Governments and Downing Street, has still further atrophied the mechanism of inter-Imperial communications. We do not propose to offer any opinions as to the soundness or otherwise of the course adopted by Sir Dudley de Chair and Lord Byng, for a correct judgment must depend upon a more intimate knowledge of the local circumstances than we ourselves possess. But there are one or two larger aspects of the problem which are worthy of consideration

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and which may be at least informally discussed at the Imperial Conference.

There has been a tendency of recent years, the natural outcome of the changing relations between Downing Street and Ottawa, Melbourne, Pretoria and Wellington, and of the rise of national spirit overseas as a result of the war, to lose sight of the great importance of the constitutional function which the official head of the State or his deputy performs under the British Parliamentary system. It has been the fashion to regard the Governor-General—and also quite generally the King—as a mere figurehead discharging purely social or non-political functions, and the office as one which can appropriately be filled by persons who have no political experience and no training in constitutional practice. This, we feel, is a profound mistake.

The British Parliamentary system cannot work without a responsible person discharging the functions of the Crown. Quite apart from the more formal and official side of his work as head of the State, the King or the Governor-General is from time to time called upon to discharge political functions of the first importance. He is, in fact, the only bulwark which exists for protecting the people against an abuse of power by their elected representatives in the Cabinet or Parliament. It is sometimes urged that the function of the Governor-General—or the King—is invariably to act upon the advice of his Ministers until they tender their resignation, when he comes forward and, acting on the advice of the outgoing Prime Minister, invites some other party leader to form a Government, continuing to act upon the advice of those whom he consults until a lawful Government has once more been constituted. That is a complete misapprehension of the constitutional position. The head of the State is obliged to act upon the advice of his Ministers on all ordinary occasions, but he is no less constitutionally bound to reject it on others. For instance, supposing a Cabinet and a majority of the legislature presented for the signature of

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the King or the Governor-General a Bill prolonging indefinitely the life of Parliament and therefore their own term of power, the head of the State, except in some crisis such as a war, would certainly be bound to refuse to sign it and so to compel a dissolution to enable the people to pass judgment upon a matter so vital to themselves. Or again, supposing a Government, which had appealed to the people at a general election and had come back in a minority, refused to meet Parliament and asked for a dissolution either to secure a longer period in office or in the hopes of reversing the decision, the King or the Governor-General would certainly be bound to refuse it until the will of the new Parliament just elected by the people had been ascertained in the normal way.

These instances are sufficient to show that the person who occupies the throne or the office of Governor-General may be called upon to decide issues of the most momentous kind. There are, of course, a large number of border line cases. The most difficult problem, perhaps, is that of determining the point at which it becomes the constitutional duty of the head of the State to insist that the ability of Parliament to create and maintain a Ministry should be exhausted before yielding to the request of a Ministry possessed of no stable majority, that the nation should be put to the trouble and expense of a dissolution. The answer would vary according to the local circumstances at the time. It is not possible to formulate an absolute rule. We are only to-day concerned to point out that at times the head of the State must act on his own responsibility, that usually these times are moments of crisis, and therefore that the holder of the office ought to be a person of ripe political or constitutional judgment and experience.

The real difficulty at the moment, however, is not the powers of the Governor-General but the method by which he is appointed. There would probably be little dispute about the powers he should exercise if it were not that the question of his powers is mixed up with the problems arising



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out of the changing status of the Dominions and with his position as the representative of the Imperial connection. The fact that the appointment is made from London—though in agreement with the Government of the Dominion—and that he is the representative of the British Government in the Dominion (though with greatly reduced political functions) tends to make the exercise of his legitimate powers look like an interference with Dominion autonomy. The practice that the Governor-General should exercise his constitutional functions on his own responsibility and not on instruction from Downing Street—a practice which seems now to have been recognised by the Dominions Office as normal—has tended to simplify the situation, but it has not removed the root of the difficulty—the fact that technically and in fact the major responsibility for the appointment lies with the British Government.

It is, however, extraordinarily difficult to see how the present system can be altered. It is essential that the individual who fills the extremely important office of head of the State—for that is what it amounts to—should be a person not only of real constitutional competence, but manifestly so far removed from the party politics of the country over which he presides that the community will have confidence in his impartiality and his detachment from personal or partisan influences. The method of appointment to this high office presents difficulties in all countries. Speaking broadly, there are two possible methods. The first is the British system whereby the head of the State is selected—as in Great Britain—by the principle of heredity reinforced by a long and powerful constitutional tradition, or—as in the Dominions—by agreement between the British Government and the Dominion Government concerned from among persons who have had experience of public life in Great Britain but no direct connection with the Dominion in question. The second method is for the head of the State to be selected for a specified term by some special process such as election by



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the two Houses sitting together, as in France, or direct election by the people—as in the United States and Germany. Both systems seem to work, though it would mean a revolutionary constitutional and Imperial change to introduce the foreign system inside the British Empire. But both systems have the same characteristic that the appointment is made by some special procedure outside the ordinary routine of the political life of the community. It seems perfectly clear that the problem of the Governor-General could not be solved by arranging that he should be appointed, whether from residents in Great Britain or from residents in the Dominions, by the nomination of the party in power whenever a vacancy occurred. However admirable the appointment might be, the fact that he was the nominee of a party Government would inevitably bring the office into party controversy. Whatever the system of appointment, it must be one which results in the selection of a person who is competent, who is outside or above local party politics, and who is able to claim and exercise the peculiar authority which is inseparable from the office of head of the State.

It is quite clear, therefore, that the problem of modifying the existing Governor-General system is a much more formidable one than has sometimes been realised, even from the narrowly constitutional point of view. It becomes still more complicated when one adds to it the fact that either the Governor-General must be made once more an effective channel of communication and information between the Dominion Government and the British Government or, if he is to be confined in future to his purely constitutional duties, that some other official must be appointed with a diplomatic status in the Dominion capitals to perform duties analogous to those which ought to be exercised by the High Commissioners in London.

## ✓ POST-WAR TENDENCIES IN EMPIRE TRADE

ON the eve of another Imperial Conference it may not be unprofitable to look at some of the recent tendencies of trade within the Commonwealth. Whatever political views one may happen to hold, it is becoming more and more widely accepted that the future strength and prosperity of the United Kingdom are closely bound up with the expansion of its commerce with the Dominions. It is hardly less true that ultimately their development equally depends almost without exception on the maintenance of the financial and commercial power of the British Isles. The opposition to any sort of Imperial economic system, which before the war was fanned to a fanatical intensity by the fury of party strife, has now been almost reduced to a cold calculation of expediency. The Labour party itself has openly expressed its preference for importing food stuffs, raw material and manufactures from countries where labour enjoys good wages and conditions, as is certainly the case in the Dominions, and would probably consider any proposal on its merits which tended to increase employment without raising the cost of working-class living. The whole question of our trade relations with the Dominions is, in fact, entering a more dispassionate phase which permits of its frank and objective discussion.

## The Story Told by the Figures

### I. THE STORY TOLD BY THE FIGURES

FORTUNATELY, we are well equipped for such a discussion by the *Survey of Overseas Markets* issued by the Balfour Committee on Industry and Trade,\* the most comprehensive and careful study of the world's trade movements since the war that any country has so far produced and one to which far too little public attention has been paid in England. It contains a complete analysis of British and foreign trade for the post-war period and a series of tables, which enable their principal features to be readily understood by anyone who cares to give them sufficient study. It is to this illuminating report that this article is indebted for most of its facts and figures.

The first point which strikes the eye is at once consoling and surprising, namely, that Great Britain's share of the world's export trade was larger in 1923 than in 1913, having advanced from 13·02 per cent. to 14·03 per cent. At the same time, it must be noted in passing that the United States' share has waxed during the same decade in a degree four times greater—from 12·47 per cent. to 16·88 per cent. In nominal value our exports in 1923, a poor year, actually exceeded those of 1913, a very good year, by £218,200,000. This rosy picture loses a good deal of its first glamour, however, on closer analysis. The general rise in prices has meant that the same values now represent considerably smaller quantities of merchandise, and in order to arrive at a true comparison with 1913 the average values of that year must be applied to the post-war period. This the Committee have done with the aid of the Board of Trade, and they arrive at the conclusion that our exports for 1923, instead of being largely in excess of those of ten years ago, actually only represented 79, and

\* Published by H.M. Stationery Office, 1925.

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the exports for 1924, 80 per cent.\* of their value. Still, when it is observed that in 1919 they only represented 54·9 per cent. of the 1913 figure and that two years later they had fallen so low as 49·8 per cent., the achievement in 1923 and 1924 is a sure indication of the steady recovery of British trade. Again, however, it must be noticed that against a drop of about 20 per cent. in our "real" exports must be set a rise of nearly 20 per cent. in those of the United States, and *if manufactures alone are taken into account, a rise of 48 per cent.* On the whole, things may not be as bad as they seemed to most people, but it would be a mistake to rush to the opposite extreme and assume that they are as good as they ought to be. It must be borne in mind that for the Great Britain of to-day even the export trade of 1913 is no longer adequate. In spite of the losses of the war we have a population larger by about two millions to maintain, and because of the debt and other charges resulting from the war we need a larger national income to meet them. Only 80 per cent. of our pre-war trade means hundreds of thousands out of work and a crushing burden of taxation. We are suffering acutely from both those evils, and, what is worse, both of them are a heavy drag on our further recovery, because they suck up money which would otherwise be used to accelerate the machinery of commerce. A general survey of the field, then, justifies an anxious and qualified optimism, but nothing more.

The figures of the percentage of British exports show that the distribution of our trade has shifted surprisingly little since the war.

	1913.	1924.
Europe .. .. .	34·0	31·0
U.S.A. .. .. .	5·5	6·6
South America .. .. .	9·4	7·3
Self-governing Dominions (excluding Irish Free State) ..	17·5	17·7
India .. .. .	13·3	11·3
Colonies and Possessions ..	6·2	6·6

\* The figures in the comparative table on page 638 are 74·5 and 75·5. The reasons for the increase here are given on page 4 of the Balfour Report which deals with the rise in quality of our exports.

## The Story Told by the Figures

It might have been expected that there would be a marked decrease in our commerce with Europe with its uncertain currencies and general impoverishment, and a corresponding increase of trade with the American continent and the Dominions, which were stable, prosperous, and relatively little affected by the war. Such an expectation might be further encouraged by the fact that Germany, our greatest competitor in many overseas markets, was practically out of the running. Yet the contrary is the case. If Russia be omitted from Europe, the European percentage was almost precisely the same in 1924 as in 1913 (30·52 as against 30·57). In the case of the Dominions and colonies the increase is very small,\* while in the case of South America there is a marked falling off. Only in the case of the United States is there an increase, due no doubt to her willingness and ability to buy high priced goods in spite of a towering tariff, but the 1923 figure is about the average for the four years before the war, so that little importance can be attached to the rise in comparison with 1913. For the same reason the decrease in the case of India is also negligible.

It is clear, then, that although in nominal values our trade has increased with the Dominions, as indeed with all parts of the world, it has not shown any marked tendency to run more strongly in Imperial channels.

But in order to obtain a true and complete view, it is necessary to look at our trade not only from the British but also from the Dominion standpoint. It is not enough to register the fact that the percentage of our export trade

\* In many statistical statements the increase is apt to appear larger than is really the case, because exports to the Irish Free State have since 1923 been included as overseas exports in contrast to the pre-war practice. If the Irish Free State be omitted, the percentage of United Kingdom exports to the Empire is as follows (Balfour Report p. 641) :—

1913	..	37·3	1923	..	37·2
1922	..	37·6	1924	..	38·5

The post-war average is slightly higher than the average for the five years before the war, but the difference is not substantial.

## Post-War Tendencies in Empire Trade

to the Dominions as a whole is somewhat greater than before the war. It must also be asked what percentage of the Dominions' imports is derived from the Mother Country. Their imports have greatly increased, and it may be that while fully maintaining the proportion of our exports to the Dominions, we may none the less be losing ground in their markets. To get a comprehensive idea of the real situation, therefore, a comparison must be made between the percentage of imports received by each of the Dominions from Great Britain before and since the war, to which may be added a comparison with our principal competitor, the United States. The result is shown in the following table, which shows the percentage of imports received by them from the United Kingdom and the United States respectively.

	UNITED KINGDOM.		UNITED STATES.	
	1913-14.	1923-24.	1913-14.	1923-24.
Canada .. ..	20·7	17·2	65·0	67·3
Australia .. ..	52·4	45·2	13·9	24·6
New Zealand .. ..	51·5	47·8	11·6	16·0
	(1922-23)		(1922-23)	
South Africa .. ..	54·4	52·1	9·5	12·9
India .. ..	64·2	60·2	2·6	5·6

The effect of this table is not altogether reassuring. It demonstrates beyond dispute that our share of the trade in the Dominion markets has appreciably diminished since the war, while that of the United States has swollen, often in a more than corresponding measure. In other words, the latter has obtained a far greater share of the "new" trade than we have.

To depreciate the significance of these figures two objections may be made. It may be suggested that during the war a large part of our trade inevitably fell to the United States owing to our inability to supply the Dominions as in ordinary times, but that we are now recovering our position. Secondly, it may be urged that the United States furnishes many categories of goods, prin-

## The Story Told by the Figures

cially food stuffs and raw materials, in which we cannot compete, and that this accounts for her remarkable progress. There is some measure of truth in both these objections; but a careful analysis of the statistics seems to show that they do not invalidate to any important extent the general conclusion that our trade with the Dominions is dwindling in comparison with that of the United States.

If we look at Australia, for instance, and confine our view to competitive imports only, we find that, although the American proportion fell in 1921 and 1922 as compared with the two previous years, it rose once more in 1924 above the level of 1920 (20·6, as against 18·5), while in values also American exports nearly regained the 1920 figure (21·6 million, as against 22·4).<sup>\*</sup> Again, in the case of Canada, although we have regained a good deal of our trade in textile goods and boots and shoes, America has outstripped us in most other classes of manufactured goods.<sup>†</sup> It is perhaps particularly unfortunate that we have lost ground most noticeably in metals, metal manufactures and machinery—trades which have suffered severely from unemployment in this country. That this should be so in Canada with the enormous American metal industry at her doors and many branches of it on her own territory was to be expected; but it is disquieting to find that in Australia our proportion of this trade has fallen from 64·1 per cent. in 1913 and 57·5 in 1921 to 51·0 in 1924, while that of the United States has risen from 17·6 in 1913 to 28·6 in 1921 and to 36·5 in 1924.<sup>‡</sup> In South Africa the United States have also strengthened their position in these goods, and to a lesser degree in New Zealand and India. It is no doubt true that America has frequently stepped into Germany's place and that her advance does not necessarily denote any considerable

<sup>\*</sup> *Australian Official Year Book*, 1925, pp. 250-1.

<sup>†</sup> *Balfour Report*, pp. 315-6.

<sup>‡</sup> *Australian Official Year Book*, 1925, p. 251.



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British regress. But it has also to be remembered that Germany is rapidly restoring her exporting power, and will make a determined bid to regain her lost ground as a matter of mere self-preservation. British manufacturers will therefore have to meet even fiercer competition in the next few years, and as the Balfour Committee more than once emphasises, cannot hope to hold their own unless they make every effort to adapt themselves to the new conditions.

There is yet another aspect of the situation which may legitimately suggest some misgivings. It is a common complaint that the stagnation of British trade is largely due to two factors—the indiscriminate erection of tariff-walls and the attempt of new countries to build up their own industries at the expense of ours. This complaint has been made with some apparent justification against the Dominions; but before accepting it at its face value, it is as well to look at the facts.

As regards tariffs, it is certainly true that all the Dominions have shown strong protectionist inclinations since the war. The Balfour Committee comments on “the remarkable fact that the main increases of tariff rates on British exports have been within the British Empire, where the average *ad valorem* incidence has risen by nearly two-thirds, while in foreign countries, despite the great increase in the United States’ tariff, the average *ad valorem* incidence has decreased by one-fifth.” The imposition of higher duties, however, has been more than offset by an increase of the preference accorded to British goods, particularly in Australia, Canada and New Zealand. The Committee state that “broadly speaking, in 1914 the preferential tariffs of the Dominions were on an average lower than their general tariffs by about 4 per cent. *ad valorem*. At the present time this preferential advantage has on the average been increased to 9 per cent. *ad valorem*.” The net result, therefore, is decidedly in favour of the British manufacturer as against his foreign competitors. As far



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as the new tariffs are concerned, it should have been easier for him to increase his percentage of the Dominion trade than for his American rivals, who have to surmount the full height of the new barriers. The fact that in spite of this advantage British exports have not succeeded in maintaining their share of the Dominion markets is a matter of some concern, but not one for which the Dominions can fairly be reproached. It prompts one to ask what would be the present position had the Dominions granted no preferences.

A good deal has also been made of the development of home industries in India and the Dominions, but here again it is as well to avoid rash assumptions. In the case of India the growth of steel and cotton production will no doubt affect our markets in some particular classes of goods. The same is true of the strenuous attempts which are being made to foster the woollen and metal industries in Australia, and of the rapid industrial progress of Canada. But none of these new initiatives has had the effect of reducing the importation of manufactured goods by these countries. On the contrary, their importation, generally speaking, has shown a steady and in some cases a rapid expansion. Within certain limits the development of their own resources by the Dominions must make them more able and anxious to purchase manufactured articles abroad as their needs and their capacity to fulfil them multiply. This is especially true of India, the poorest of all the Dominions. It is only by the growth of her national wealth that her millions can improve their standard of comfort, and so become buyers of goods with which we could supply them, but which are at present beyond their reach. Even in respect of textiles the Committee foreshadows a compensation of this kind. "The largest consumers of British textiles are the upper and shop-keeping classes of the towns and villages, the rural population being clothed mainly in the cloths woven in the Bombay mills. Our textile industry must look for its

## Post-War Tendencies in Empire Trade

expansion principally to a higher standard of living among the urban population, which will largely depend upon an expansion of Indian industries and commerce." No doubt such developments will mean considerable transformations and transpositions of labour in our own industry; but in the long run there is no reason why British traders should be the losers, provided that the desire to foster certain home industries is not exalted into a false doctrine of self-sufficiency, and "provided always," as the Balfour Committee says, "that their methods and organisation are sufficiently flexible to be capable of adaptation to new and varying conditions and opportunities."

### II. THE MAIN CONCLUSIONS

AT this point we may attempt to sum up the main conclusions which the foregoing analysis of the situation appears to indicate. Although our export trade as a whole has maintained its relative position in the world's markets, it only carries 80 per cent. of its pre-war value. Moreover, its expansion, both absolute and relative, has been much less rapid than that of the United States since the war, despite the absence of fully developed German competition. The proportion of our exports destined for the Dominions has not substantially increased, while the proportion of their imports which the Dominions derive from Great Britain has sensibly declined. On the other hand, the American proportion has sensibly augmented. Moreover, American competition is increasingly manifest in the case of manufactured articles, as is shown by the significant growth of exports in these classes by as much as 48 per cent. as compared with 1913. It is not true that British manufacturers have been appreciably handicapped owing to Dominion tariffs or the growth of Dominion home industries. The American manufacturer has had to overcome both these obstacles and is, moreover,

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at a disadvantage owing to the additional preference given to British goods.

There is one further fact which merits attention. Just as British exports to the Dominions constitute a more or less constant proportion of our total exports but a diminishing proportion of Dominion imports, so it appears that our exports to the Continent, while still constituting about 30 per cent. of the total as before the war, represent an increasing proportion of continental imports. Excluding Spain, Portugal, Russia and the Baltic States, the ratio of British imports to the Continent was 216 in 1923 as against 196 in 1913.\* The inference from these figures seems to be that the Continent is looking more to Great Britain for its imports than before the war, while the Dominions are looking more in other directions. In other words, we have been more successful in regaining and even improving our European position than in fully recovering our position in Dominion markets. What is true of the Dominions is also true of South America, where our share of the import trade has also shrunk, though less perhaps than might have been expected.† A variety of explanations suggest themselves. The greater proximity of most overseas markets to the United States and their greater isolation from Great Britain during the war no doubt made them more accessible to American merchants than to those of Europe. In addition, however, it may be wondered whether our goods are not better adapted on the whole to European needs because they are designed for conditions closely resembling our own. For the same reason certain American products probably find a readier market in the new countries, where conditions are more akin to those familiar to Americans than to any that may be found in Europe. Whatever may be the explanation, the fact is important. It proves once again the intimacy of the commercial ties which connect us with Europe and the

\* *Balfour Report*, p. 658.

† See *Balfour Report*, p. 661.

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present impossibility of replacing our continental trade by "trade within the Empire" on existing lines. It is not certain, however, that Europe will remain so favourable a market. Germany has re-entered the field and will reconquer many of the neighbouring markets which she has lost. If, in addition, the tendency towards the creation of European trusts and cartels develops, Great Britain will either have to draw closer to Europe by entering them or find compensation elsewhere for the losses which her exclusion would entail.

It would be foolish to attempt to draw too far-reaching conclusions from the trade figures for five troubled and abnormal years; but they appear to exhibit certain tendencies so definite that to ignore them would be as unwise as to regard them as immutable facts. It may indeed be that we shall completely recover our pre-war position in the Dominions in the course of the next decade, but when the chances of our ousting America from the ground she has won are weighed dispassionately, they do not appear to be particularly bright. This island is overpopulated with over 43 million people; the United States underpopulated with 115 millions. Our debt per head is £174 2s.; that of the United States £42 6s. Our taxation per head amounts to £20 1s., American taxation to £13 12s. Of our national income 22·1 per cent. goes in taxation, of the American national income 10·5 per cent.\* These are heavy handicaps, quite apart from the huge national resources and the vast home market which are the basis of American industrial prosperity. Again, the fact cannot be overlooked that trade breeds trade, as our own experience has frequently taught us. The Balfour Committee points out that "the enormous financial strength of the United States and the gradual attainment of control over industrial enterprises overseas gave United States trade a much stronger position than before the war in certain markets."

\* See "Taxable Capacity and the Burden of Taxation," by G. Findlay Shirras, *Journal of the Royal Statistical Society*, vol. 88, Part IV (July, 1925).

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The tremendous extension of American capital in Canada furnishes a very pertinent illustration. Between 1900 and 1920 the aggregate capital investment in Canadian industries expanded from about 450 million dollars to 3,400 millions. Of this latter amount 24·5 per cent. were held by American investors, 9·6 by British, the remainder by Canadians, and it is significant that the major part of the interest in certain important industries such as copper-smelting, automobiles, paint and varnish and chemicals, is controlled by the United States.

On the other hand, the potential resources of the British Empire far exceed those of the United States. They are capable in time of diffusing a vastly greater measure of well-being throughout the Empire, and indeed throughout the world at large, than we have yet considered possible. A casual perusal of the reports of the Trade Commissioners indicates the unlimited mineral and other riches in almost every part of it which still remain practically untouched. We need an Imperial economic policy.

The aim of such a policy should be the development of the Empire's resources. But it should not be based on restrictions intended to keep the dependent Empire as a preserve for our own peoples. Such an attempt would be worse than folly. The development we contemplate would be in the interest of every part of the Empire, but it would also be in the interest of the rest of the world. Such a policy—and it needs the assistance of some central body—would give every help and encouragement to capital whether it comes from inside or outside the Empire. The United States, for instance, is becoming more and more industrialised and therefore more and more dependent upon the importation of tropical raw materials from beyond her own borders. A policy of exclusion or discouragement in our vast tropical dependencies would force Americans to look elsewhere, possibly to build up their own independent sources for the supply of rubber, hemp, oils, fibre, copra, and so on in the Philippines, and other

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territories under their own influence and control. Even attempts at governmental control of output of the kind that recently caused so much ill-feeling across the Atlantic in the case of rubber should be avoided. There was a good immediate reason for it, but it was bound in the long run to prove a mistake. Government interference with freedom of trade almost invariably produces political reactions which immensely outweigh any possible economic good.

Again, the campaign for colonies in Germany and to a less extent in Italy is largely due to the belief in those countries that colonies are necessary, in order to give them the secure supplies of raw material, as well as the market which their expanding industries require. The certainty that in the British Empire at all events the door would remain open to those in need of raw materials should go far to meet their fears. Other States with tropical possessions may themselves later follow our lead and adopt a liberal colonial policy when the extent, to which the future prospects of peace are bound up with this question of raw materials, is more clearly realised. Every industrial nation if it cannot count upon an assured supply of these will strive to reach a state of self-sufficiency in that respect, and, with the world arranged as it is, that in the end means war.

Development, moreover, needs all the capital that can be got wherever it comes from, and as regards our own position it must not be forgotten that an immense change has taken place of recent years. Before the war the United States invested practically nothing abroad and Great Britain about £200 million a year. To-day the United States' foreign investments reach that figure, but our own have dropped to half of what they were. It is directly to our interest to attract this outside capital to the British Empire, for a far larger proportion of the money received for the sale of our raw materials will go to purchase British goods than if it had been spent in foreign countries, like Brazil or Sumatra. It is obvious that the collection and dissemination of accurate information will be a particularly

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important function of such a central body as is referred to above.

The side of Imperial development, which involves the question of preference and tariff arrangements between the self-governing nations of the Commonwealth, was fully discussed in our March issue,\* and a way of discovering the methods best calculated to render co-operative effort effective suggested.

Nothing stands still in this world. The trade relations between the different parts of the Empire will either gain or lose in intensity; they will not remain stationary. If the Empire is worth preserving in the eyes of its component States, the stimulation of its trade with the whole world, but especially between its own component parts, is a vital interest to all of them. The United States as an economic power is already of continental rather than national magnitude. Her example will bring other combinations between national industries into existence, some of which are already beginning to appear. Unless the British peoples are to fall behind in the race, the time is coming, if it is not already here, when they will have to review their economic position as a whole and seek a co-operative policy for promoting their combined power and the development of their common heritage.

\* THE ROUND TABLE, No. 62, March 1926, pp. 243-254.



## LOCARNO AND THE BRITISH COMMONWEALTH

### AN IRRESPONSIBLE ESTIMATE

#### I. THE DISLIKE OF DEFINITE COMMITMENT

*"Do you know your part?" asked the producer of the play.*

*"No," said the actor; "and I don't even know what part I'm going to play: but it will be all right on the night."*

THAT is the sum of many conversations which the present writer has had and of many newspaper articles which he has read in three Dominions during the past six months. The emphasis varies with the citizenship of the speaker, but the substance of the conviction is the same in Australia, New Zealand and Canada. The subject, of course, is the share of the Dominions in the foreign policy of the whole British Commonwealth, with the eventual participation of each in the ultimate sanction of policy—namely, war. Only in one of these three Dominions has the question become of the potent issue which helps to make and unmake Governments; but it is becoming daily more alive in all of them; and the more lively it becomes, the larger loom its difficulties. That it is a live issue in South Africa, as well as in Canada, is surely self-evident; and if it were not so, the Flag Bill controversy and Mr. Meighen's Hamilton speech would quickly prove it. Canadians and South Africans actively and anxiously canvass the meaning of their relationship to Great Britain and require forthright declarations of policy from their public men: Australians more



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calmly—though “calm” is not the most appropriate word for the Australian temperament—assume that their Commonwealth may and will do as she pleases without previous commitment; while New Zealanders make no secret of their pride in the Empire and their intention to honour every obligation which that pride imposes. The most distant of the sister nations of the Commonwealth is, in fact, the nearest to us; while the nearest is the most deeply perplexed over the condition of the family, and has sometimes seemed the most restive of the whole family circle. THE ROUND TABLE of March 1926\* reveals the nature and the cause of this factor in Canadian national sentiment.

So much, then, by way of personal introduction in the form of a generalisation which, like all its kind, is open to attack from all sides. It is set down here, not as the considered estimate of the official policy of any Dominion Government, but as the general though definite impression made on an open mind by the private talk of friendly folk overseas to whom the present writer is indebted for great hospitality and much enlightenment. The occasion of most of these conversations was the Pact of Locarno, which imposed definite European obligations on Great Britain and left each Dominion free to endorse or to repudiate them, or even to refrain from taking any action whatsoever. None of the Dominions has so far taken action; nor is it probable that any of them will make a definite pronouncement. They dislike definite committal, especially in a matter which appears to be of solely European concern; and they will always *incline* to repudiate an engagement made, of its own motion, by the British Government, even where in their hearts they believe that they would back England to the last cent and farthing if the engagement led to a great war. So Locarno will remain unratified.

It is true that one Dominion Government was reported, in a Press Association telegram dated London, February 25,

\* THE ROUND TABLE, No. 62, March, 1926, p. 368.

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as contemplating ratification, but refrained from doing so when it was told that such action would embarrass another Dominion. The telegram concluded with the words that the conflict of opinion between the Dominions "was averted by the assurance that the whole question of the Empire's foreign policy, including the Locarno Pact, would be discussed at the Imperial Conference in October." This assurance served its purpose for the moment, but it only postponed a difficulty which cannot be surmounted at one Imperial Conference, or at ten, unless and until each Dominion has faced all the facts of its twofold existence, domestic and international. Parallel with the process by which the Dominions will come to face the facts, there must be a genuine appreciation in London of all that Dominion nationalism implies. Equal status within the British Commonwealth has been won for all. Equal responsibility, which is manifestly the concomitant of equal status, is not yet in sight; and therefore complete co-operation in Imperial diplomacy is, as yet, not practical politics. None the less, we are committed by our very existence as a Commonwealth of Nations to a common purpose. We do not and will not contemplate the shipwreck of our common purpose merely because we have allowed the ship to drift from her true course.

Let us see how far we have drifted. Before the war we all spoke of the Empire as an indissoluble alliance of free and equal nations under one Sovereign. Paris and the League of Nations set the seal of international recognition on our equality. Four years later Lord Curzon and Lausanne made it appear that Downing Street was entitled, on occasion, to speak for the whole Empire; but the appearance was not the reality, and the theory of our unity and equality suffered somewhat. Finally, Article nine\* of the Pact of Locarno revealed our unity, not "in

\* Article nine reads as follows: "The present treaty shall impose no obligation upon any of the British Dominions, or upon India, unless the Government of such Dominion, or of India, signifies its acceptance thereof."

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ruins," as the Canadian correspondent of the *New Statesman* would have us believe, but as conditional! Conditional, on what? The best answer to that teasing query is: "On the belief that it will be all right on the night." But what will be the scene on which the curtain rises "on the night"? No one can tell: though Great Britain knows that *she* is pledged to what will practically be a League of Nations war if the Pact of Locarno is violated. Now, it is possible to argue that Locarno is not the League, and that Sir Austen Chamberlain's signature is only an instance of the signing of one of those "bilateral treaties imposing obligations on one part of the Empire only" for which the resolution of the Imperial Conference, 1923, provides. That is a palatable argument for domestic consumption, say, in Canada; but it is our old friend the ostrich, none the less, for it ignores the fact that when the King is at war, all his subjects are belligerents. Moreover, the plea for irresponsibility may not remain valid for long, even as a domestic device. Locarno is bound up with Germany's entry into the League; and when Germany becomes a member the guarantees of Locarno may possibly become a general instead of a particular obligation in the same, or in a different, form. In such a case—it is put forward not as a certainty, but as an important consideration—what becomes of Article nine?

The answer is to be found in the words used to the present writer by an ardent Canadian nationalist who thinks that in the discussion of Imperial relations we attach too much importance to the possibility of war. "I do not foresee," he says, "a major war in which England will be concerned which will not be a League of Nations war as well, in which case we shall be doubly called upon to take part in it." *Doubly!* The admission in that word ought to close the controversy; but since we know that the controversy will continue, let us explore its origins in a conversation between Socrates Viator and his friends overseas.

## Locarno and the British Commonwealth

### II. SOCRATES VIATOR AND HIS FRIENDS OVERSEAS

"I OFTEN wonder," said S.V., "what the British Empire is."  
"Don't say Empire," said the First Voice in reply, "say Commonwealth."

"Ah! I beg your pardon. I am a European and I use the word Empire with some affection for its associations; but I applaud your correction, for it is the beginning of the answer to my question. What, then, is the British Commonwealth?"

"It is the greatest alliance of free peoples the world has ever seen," said the Second Voice.

"Then it is composed of *different* peoples," said S.V.

"Yes and No. They are different, yet the same."

"*Civis Romanus sum*, they used to say in Europe: something like that, is it?"

"Yes," said the First Voice, "but each people rules itself, under one King."

"Under one King! Then they must all think alike, else must His Majesty be a house divided against itself," objected S.V.

"We do not all think alike," said the First Voice, "we . . ."

"Yes we do, in the last resort," interrupted the Second Voice.

"Nonsense!" thundered the First Voice. "Why when Winston . . ."

"Never mind Winston. Aren't we all in it?" insisted the Second Voice. . . .

The duet in discord continued for a while, until Socrates Viator intervened once more.

"Tell me," said S.V., "what is that 'last resort' you speak of?"

"Loyalty: patriotism: war," said the Second Voice.

"Loyalty to the Commonwealth, he means, not necessarily to the British Government," explained the First Voice.

"But," and here S.V. scratched his head, "I understood that you were all *British*: then why are you not all necessarily loyal to the *British* Government?"

"He's got you there," laughed the Second Voice.

"Not a bit of it," said the First Voice. "If he can't understand what democracy is in the Dominions, he oughtn't to be loose in the world, making trouble with his ridiculous questions."

"Willingly," said Socrates, "would I be shut up; for you have

## Socrates Viator and His Friends Overseas

given me much to think about. But, before we part, answer me this : If your last resort is war, do you all go to war together ? ”

“ Yes,” said the Second Voice.

“ Hold on : not so fast,” said the First. “ It isn’t a case of one at war, all at war.”

“ Very curious,” said Socrates ; “ then the King can be at war and in peace at the same moment.”

“ No, he can’t,” said the Second Voice.

“ Yes, he can,” said the First.

“ How ? ” enquired Socrates Viator, with a smiling eye fixed on the First.

“ He has been before, and he will be again. Wars in India, perhaps even in Europe.”

“ He’s thinking of Locarno,” said the Second Voice.

“ What is Locarno ? ” asked Socrates.

“ It’s a pledge given by England, in the endeavour to prevent war, that, if one of the great frontiers of Europe is violated, she will strike the aggressor with all her might.”

“ An excellent undertaking,” said Socrates, “ do you not think so ? ”

“ Well, yes, for England,” said the First Voice ; “ but we haven’t signed and we’re not going to.”

“ So if England goes to war to resist this presumed aggressor, you will not assist her ? ” queried Socrates.

“ In the last resort, of course we will,” admitted the First Voice.

“ What a curious place your last resort is, for in it you can be of two minds at once,” said Socrates.

“ We don’t want to be committed, unless we’ve had as much say in the negotiation as any one else,” said the First Voice.

“ And yet, say or no say, you will still reach your ‘ last resort,’ ” said Socrates Viator in half-abstracted comment.

“ Perhaps not,” said the First Voice, contradicting himself.

“ Then you will be neutral ? ” asked Socrates.

Silence.

“ Let us suppose you *are* neutral. Will all the British nations overseas be neutral ? What will you do, you, the man who now speaks to me, if you find yourself in England when the King goes to war ? Or if you find yourself in the country of the enemy with all men speaking evil of your King. *Civis Romanus sum* was a proud word once full of meaning. But in that day *Civis Britannicus sum* will have no meaning.”

Then the Second Voice came to the rescue by saying :—

“ Socrates, you have taught us a lesson, and you’ve put him in an awful hole. But here’s another side to the question.”

“ Can there be another side to the question,” said Socrates, “ when there is only one answer ? ”

## Locarno and the British Commonwealth

"You mean, either we stay in or get out," said the Second Voice.

"Surely," said Socrates.

"We're going to stay in, *but* on terms as nearly equal as our circumstances will allow."

"No," said the First Voice, "on absolutely equal terms, and damn the circumstances."

"What are equal terms?" enquired Socrates Viator.

"If we say to England that, in an equal Commonwealth, each part has as good a right as any other to commit the whole to war, and if England accepts that idea, we can then begin to create a new policy and a new instrument which will enable the British nations to speak with one voice."

"You mean," said Socrates, "that if all have an equal power to make the Empire go to war and if all are equally liable to war, then the real liability is lessened and war is less likely."

"More or less," said the Second Voice.

"But," continued Socrates, "that sounds like the thing in Europe which they call the League of Nations."

"The same principle in a rather different practice," said the Second Voice.

"Then all you have to do is to get together and remember that you differ as much from others as they differ from you."

"That's good," said the First Voice, "and it's true."

"And which is the more likely to forget it, you or England?" asked Socrates.

"Probably us," said the Second Voice ungrammatically.

Whereat Socrates Viator departed, knowing that he had learned much, and hoping that his friends overseas had learned that they had something still to learn.

### III. THREE SCHOOLS OF THOUGHT

WHAT we have called the dislike of definite committal runs right through the train of thought revealed by this not wholly imaginary conversation. Combined with the somewhat sensitive nationalism of many British citizens overseas, it tends to colour their opinions with an ungrateful tinge which utterly misrepresents their true

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spirit. It is therefore difficult to disentangle, in the general utterance of the Dominions, that which is real and permanent from that which is merely expletive and protesting; and the difficulty will remain until the Dominions are quite sure that Mr. Amery, for instance, can (and will) walk out of Downing Street and see the world with the eyes of Melbourne or Ottawa, Pretoria, Wellington or St. John's, or, for that matter, Delhi. The Dominion nationalist insists, rightly, on his due because he does not yet believe that the "old country" will give him his due. There is truth in his claim, even if it be sometimes exaggerated in vociferation by the operation of an "inferiority complex"; and somehow, the sooner the better, Great Britain must find a way of convincing the rest of the Commonwealth that her belief in the equal status of all is no mere lip service.

Each of the Dominions has its schools of Imperial thought, some more articulate than others, but all animated by Dominion nationalism in varying degree. Henri Bourassa, the brilliant French Canadian nationalist, once said that "Canadian Liberals believe in the autonomy of the Dominion and the maintenance of the unity of the Empire, whereas Canadian Conservatives believe in the unity of the Empire and the preservation of the autonomy of the Dominions." It was a shrewd thrust; but this is no case of Tweedledum and Tweedledee, and the only criticism which one may make against Mr. Bourassa is that, to bring his epigram up to date, he must display Canada in three parts, not two. There are three distinct schools of thought in the Dominion of Canada, and since they represent elements which are to be found in all the Dominions, without exception but in greatly varying strength, we may halt for a moment to examine the trio.

In giving them names, it is necessary to avoid the use of party labels; and for the purpose of this argument we shall call them (1) The Nationalist School; (2) The Federalist School; (3) The Regionalist School. It cannot,



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therefore, be said that there is one definite Canadian attitude; nor can it be said that the lines of the political parties coincide with these three divisions. Mr. Arthur Meighen, the Prime Minister, for instance, appreciates the strength of the Nationalist argument better than some of his fellow Conservatives; and Mr. Bourassa will not always endorse the nationalism of the *Manitoba Free Press*.

The *Nationalist* School holds that, inasmuch as each Dominion is a full-powered commonwealth, national in function as well as in status, the British Commonwealth as a whole cannot be regarded as a diplomatic unit and cannot become a unit without the parliamentary federation of the Empire, which is plainly impracticable. There is a difference of interest which prevents Canada from seeing the world through Australian eyes, and sometimes makes it difficult for England to see the world through Canadian eyes. Great Britain has a thousand international interests where Canada has substantially only one. Canada has, therefore, no right to limit British freedom of action; and Britain has no right to impose on Canada a measure of responsibility for her European or Middle Eastern decisions. And if the question be asked, wherein does this differ from separatism? the Canadian Nationalist replies:

It is not separatism. It is proposed as an antidote to incipient separatism, and has already begun to find its way into the official records of Imperial Conferences. We admit that there is great difficulty in formulating and establishing this new theory of our relations, but it is clear that the only solution possible is one that is suggested in something more than bare outline by the declaration of the Imperial Conference of 1923 on the treaty-making powers of the British nations. That declaration recognises the right of each British nation to look after its own external affairs, subject to the necessity of keeping the other British nations informed, so that if it is a matter of more than single concern the other nations affected can come into the negotiations. That is to say, we each run our own show; but we co-operate when there is need for co-operation. To the criticism that this provides no solution in case of a conflict of interests, we reply that if our interests differ to a point beyond the possibility of statesmen co-operating with one

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another the Empire is bound to blow up anyway, no matter what the machinery is. We do not consider this an objection at all. It is, of course, true that the Empire is a unit in this important respect, that if the King is at war with another nation we are all, at least technically, at war. We observe that many people assume that only Great Britain can commit the rest of the Empire to war; therefore, they say, if Great Britain can commit us to war by her foreign policies we ought to insist upon a share in formulating them. But, in our view, Canada should be quite as free to pursue a policy committing the whole Empire to war as Great Britain is. The obligation and the risk should be reciprocal.

The *Federalist* School is no whit behind the Nationalist in its insistence on the national status of each Dominion, but it takes a different view of Imperial citizenship. It openly declares the principle of the unity of the Empire and demands a larger and more deliberate participation in the conduct of all Imperial foreign policy. These Federalists would probably welcome the conversion of the British Foreign Office into an Imperial Foreign Office which, acting as the executive instrument of the collective will of the whole Commonwealth, would determine all important questions of foreign relations. They hold a modified creed of Imperial Federation; and, because they are the most convinced believers in the doctrine that "it will be all right on the night," they wish to see each actor in the play taking his proper part in all the rehearsals.

The *Regionalist* School is, in appearance, a school of compromise. It is Horse Sense seeking to reconcile two opposing sentiments. It has been described by one friendly critic as "Nationalist in domestic affairs, Imperialist in matters of common Imperial interest, and Isolationist in questions of a purely European character." To the members of this school, nationalism in domestic affairs includes freedom of action in foreign affairs of a local character—"domestic affairs" in Canada, for instance, being held to include the bulk (not the whole) of her relations with the United States of America as well as the internal concerns of the Canadian Dominion. The doctrines of

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the Regionalists are not yet fully articulated ; and, indeed, the Regionalists themselves would appear to be reluctant to proclaim any body of dogma, preferring rather to work out the salvation of the whole Commonwealth by common sense infused with the spirit of Imperial co-operation. They take from the Federalist school its emphasis on Imperial citizenship, but they seek to limit its expression by an attempt to define what is Imperial and what is local. They welcome the resolution of 1923 and find in the first two articles of THE ROUND TABLE of June 1926 much that reflects their own state of mind.

Now, these three schools of thought cover practically the whole field of Canadian political opinion ; but, since they are of comparatively recent growth, the lines which are here drawn between them, for the sake of argument, are not so clear in fact as they are on paper. Even on paper they overlap in places. And in contemporary Canadian discussion they cross and recross one another so frequently that some public men could not easily say to which school they themselves belong. There is thus an element of uncertainty which explains not only the reluctance of the Canadian Government to make any public reference to Article nine of the Pact of Locarno,\* but the absence of a definite official lead on the whole problem of Imperial affairs. The treaty-making power of the Dominion † has been exercised more than once, since Sir Robert Borden secured the independent position of all the Dominions in Paris and in the League of Nations, in a manner which suggests that the Canadian Government is a pupil in the Regionalist School ; but no one who has recently taken soundings in Canadian political waters can fail to observe the strength of nationalism, though he may not necessarily

\* There are many Canadians who would say that there is no uncertainty about the Canadian attitude to Locarno !

† A well-documented article on this subject appears in the *Michigan Law Review* of January 1926 (University of Michigan, Ann Arbor, Michigan, U.S.A.), over the signature of Professor C. D. Allin, professor of Political Science in the University of Minnesota.

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conclude that every Canadian nationalist would subscribe to the whole doctrine of the Nationalist School *sans phrase*.

The geographical distribution of these groups deserves a word of description, for it may help to account for the lopsided quality of much Canadian discussion of foreign relations. The Nationalist School has one wing in Quebec and one in the western prairie; the Quebec wing being French-Canadian, and therefore not open to the purely sentimental appeal which has, or had, such potency in Ontario; the prairie wing being in part intensely English (or Scots), and therefore composed of individualistic and independent people, in part American through periodic migration northwards, and in part non-British European. No purely British plea can sway a population so composed; it must be a Canadian plea. As one of these prairie Nationalists said the other day:

Canada is not a compact country occupied by a homogeneous people. It is a huge sprawling mass . . . with diverse economic interests, and all Europe is represented in its population. There is need for a common denominator for all the divergencies of race and for all the conflicts of sectional interest; Canadian Nationalists see in a robust sense of nationality the only attainable bond of this character.

On the other hand, the Federalist School belongs to Ontario and British Columbia; and the Regionalists are to be found in every province. The three schools can only come into contact in the House of Commons or in the columns of any newspaper or journal which has an effective circulation from the Atlantic to the Pacific. Now, the House, as we have seen, is not the best arena of debate for this purpose, because the motive for reticence is too strong to permit either the Government or the alternative Government (*i.e.*, the Opposition) to speak their minds with perfect candour. Moreover, there are few journals which circulate widely enough to cover the country; so that the instruments of national discussion are compara-

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tively few. It is true that the *Toronto Star* flies in Ontario the same flag that Mr. Dafoe hoists in Winnipeg over the printing presses of the *Manitoba Free Press*; true also that there is a body of "Imperialists" even in Winnipeg strong enough to return a member of the Federalist School to the House as M.P. for South Winnipeg; but these phenomena do not make either nationalism or federalism a truly *national* type of thought. No: powerful as nationalism is, it is not the national policy of Canada, nor is it the nation-wide sentiment yet. Nor, in view of the practical appeal of the Regionalist School, will it ever be the dictator of policy. It is no very unsafe hazard in prediction to say that, as time goes on, nationalism will be the motive force to propel a Canadian foreign policy which will be Regionalist in inspiration and in form.

For the present, Canadian policy is indeterminate, and must remain so until discussion ripens the immature thought of the Dominion to fruition. And the discussion now proceeding with animation is all to the good. Every incident that occurs aids the process, though we do not want any to go quite as far as Chanak, nor will they! The case of *Nadau v. Rex*, almost now become a *cause célèbre*, gave rise to a lively little war of pens; the *Toronto Star*, the *Manitoba Free Press*, and Sir Clifford Sifton on one side; the *Toronto Globe*, the *Montreal Star* and *Gazette*, and Professor G. M. Wrong on the other. The Winnipeg paper said that anyone who could accept the judgment of the Privy Council in this case could "felicitate himself upon the possession of a first-class specimen of a Crown Colony mind"—a remark which we must reckon more as an exercise in expletive than as a model of thought. On the other hand, the *Montreal Gazette* taunted Mr. Woodsworth, after the debate of March 22, with "flying a mongrel flag, British on one side and something else on the other." So debate proceeds, enlivened by those flares which make men stop and think.

One speech in many deserves notice. It is a common-

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place in Canadian politics that the Conservative party, and particularly Mr. Meighen himself, is anathema in Quebec on account of conscription during the War. Mr. Meighen is regarded by the leaderless descendants of Sir Wilfrid Laurier as a dangerous Imperialist ready to outbid Downing Street itself in defence of the Empire. His problem, therefore, is to circumvent the suspicions of Quebec and prepare the way for a successful inroad on the Liberal preserves in that province. Accordingly, he heralded his approach to French Canada by a speech at Hamilton, Ontario, immediately after the general election, in which he said that, in the event of war in which Canada might be involved, there ought to be a general election before Canadian troops went overseas! To such straits is even the Conservative leader driven by the vagaries of the different kinds of Canadian nationalism. Mr. Meighen may live to regret the Hamilton speech, but nothing could more clearly reveal the wisdom of the prevailing official reticence. None the less, the time will soon have passed when it is either wise or safe to await the authentic voice of national opinion; and there are many Canadians who think that a more definite lead would elicit an immediate response.

Parliament itself gives neither lead nor response. The debate which took place in the Canadian House of Commons, on March 22, was as inconclusive as it was unfortunate in its origin. Mr. J. S. Woodsworth, the Labour Member for North Winnipeg, moved "that, in the opinion of the House, Canada should refuse to accept any responsibility for complications arising from the foreign policy of the United Kingdom." His speech was no more than a tepid fruit-salad of British pacifist literature, and contributed nothing to the substance of the problem except possibly a warning that there is an anti-Imperial strain in Canadian democracy which must be reckoned with. The debate which followed was remarkable for the silence of the Government, and the admirable tone

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of Mr. Bourassa, whose speech has already been summarised in *THE ROUND TABLE*.<sup>\*</sup> Two months later, on May 27, Mr. Mackenzie King gave notice of a resolution inviting the House to endorse the principle and adopt the practice laid down by the Imperial Conference of 1923 for the negotiation, signature and ratification of international agreements, with the added condition that every international agreement concerning Canada must be ratified by the Canadian Parliament. Once again the debate, on June 21, was entirely infructuous, except that now the Imperial Conference procedure has been endorsed by Canada. Once again an opportunity to give public opinion a lead was allowed to slip. The then Prime Minister, Mr. Mackenzie King, surveyed the world from the safe vantage-ground of generalities, while indicating the probability that, if pressed, Canada would repudiate Locarno; and Mr. Meighen, the present Prime Minister, can congratulate himself that his unheroic silence now leaves him free to go to the Imperial Conference without a policy, except, again, in generalities.

There is indeed a risk that, the Conference of 1923 having laid down the general principle, the problem of its application may be burked. To avoid this result, which can lead to nothing but confusion and, perhaps, disaster, the whole public opinion of the British Commonwealth must awake. It is awake in some parts, but not in all; and even when it is most awake, it still needs to enlarge its horizon. For that purpose it would seem that certain conditions need to be satisfied, and they are five in number:

(1) There are such differences in geographical setting and consequently in political necessity that a common Imperial outlook for the British Commonwealth can only comprise those subjects or peoples which are, in themselves, world-wide in scope and influence. Halibut in the Pacific, or navigation between Java and Australia, cannot be more

<sup>\*</sup> *THE ROUND TABLE*, No. 63, June 1926, p. 607.



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than local concerns of the Canadian or Australian Governments; while it must remain an open question for the time being whether Locarno is a local North-West-European obligation or one which might force Great Britain into a European or Middle-East war arising originally perhaps in Mosul or Corfu or Sarajevo, or, again, into a war which begins obscurely and ends in a general conflagration.

(2) This being recognised, what are those subjects or problems of world-wide scope? And wherein do they impinge on Imperial interests? These two questions, whose answers must precede the formulation of policy, will be answered differently in Ottawa, Pretoria, Melbourne, and Wellington; but there must be a highest common factor of Imperial interest which will cause certain of them to emerge more prominent than others, regardless of the standpoint of the observer. They should form part of the regular discussion of every Imperial Conference, in addition to the burning questions of the moment.

(3) In addition to the obvious difference between the Canadian outlook and the British, between the Australian and the South African, there is an uncertainty as to what each individual outlook actually is. There is a greater homogeneity of opinion in the United Kingdom and a more substantial unity of fundamental interests between the United Kingdom and the Irish Free State than there is, for instance, in Canada; but even in the United Kingdom we are not clear in our own minds where the permanent line of twentieth-century policy ought to be drawn. The League of Nations seems to be the major British interest, because it is the only possible guarantee of peace; but, even here, a multiplicity of international interests are found, and among them there are many which cannot be called primary British interests.\*

\* See *The Crisis in World Affairs and Europe at the Cross-Roads*, in THE ROUND TABLE, No. 63, June 1926.

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(4) It is therefore essential, for the purpose of effective discussion at Imperial Conferences and for effective consultation between Conferences, that each partner in the Commonwealth should know her own mind. Public discussion of all aspects of the problem, leading to self-knowledge, is therefore a necessary part of the preparation of each Dominion (the United Kingdom included) for a profitable conference with the others.

(5) The Imperial Conference, when it takes place, must be a real—"a heart to heart"—talk; but even it is inadequate, and must be complemented by those instruments of continuous consultation, both in personnel and in documents, which THE ROUND TABLE has already and frequently described in detail.

Finally, since the primary aim of the British Commonwealth is peace, and since the only visible guarantee of peace is the League of Nations, the united force of the Commonwealth should be thrown on the side of the League, and, in all major questions, the policy of our united nations should be in tune with the spirit of the League. The League applies to the world the principles and, still more, the *ethos* of the British Empire. It is therefore a matter of pride, as well as of interest, that we should back the League through thick and thin to final success.

## INTER-ALLIED DEBTS

### I. MR. CHURCHILL AND MR. MELLON

THE disturbing problem of inter-allied debts has once more come to the fore, and certainly not for the last time. The proposed debt settlement between England and France was recently the indirect occasion for an unfortunate public controversy over the English debt between Mr. Winston Churchill, as Chancellor of the Exchequer, and Mr. Mellon, as Secretary of the Treasury in Washington. On July 14, at an annual banquet given to the Chancellor by the Lord Mayor at the Guildhall, Mr. Churchill, in the course of his speech, referred in the following terms to the settlement of the French debt which he had just agreed upon with M. Caillaux :

I am glad to think that, as far as one may judge by every organ of public opinion, as well as by the attitude and demeanour of the House of Commons, the settlement of our debt with France has on the whole been received with a very distinct and definite measure of public acquiescence. We could no doubt have won a good deal of praise in some quarters, which pass for instructed and are certainly articulate, if we had used the same rigour to our debtors as has been meted out to us. But I am sure it would not have been a wise or far-sighted policy for a British Government to win cheap cheers and a reputation for firmness by making demands which would never be agreed to or by making agreements which would never be carried out. The compact substance is worth more than the imposing shadow. The applause of the moment would be a poor compensation to us for the resentment, especially the suppressed resent-

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ment, of great nations across long periods of time. We have always held in this country that there are clear distinctions between war debts and commercial debts. The war debt is incurred for the purposes of self-preservation. It may save your life and country, or your ally's life and country, but it leaves behind no fertile or reproductive instrument or possession. What is blown away in shot and shell is not comparable to a transaction which leaves behind it, let us say, a railway, a mighty reservoir or a modern electric plant. Therefore, whereas an ordinary commercial debt, wisely contracted and expended, may raise the standard of living in both the lending and the borrowing countries, and consequently the general welfare of the world, the payment of a war debt, like all war expenditure, however necessary, can only depress the standard of living of the borrowing country. Further, it is bound to distort to some extent the productive industry of the lending country. War impoverishes the belligerents who, whether as victors or vanquished, have been compelled to resort to unproductive expenditure. Trade, on the contrary, is a fertile operation, which by an exchange of services or by productive expenditure promotes a higher and more harmonious economy. All the Allies in the Great War have now made, or are making, arrangements to settle their debts with one another over periods of two generations. The arrangements thus entered into must be most scrupulously respected and observed by the debtors, so long as the creditor so requires. But much may happen in two generations, and it may well be, in the best interests of the world, that a different view may prevail before that period is completed.

Two days later, on July 16, Mr. Mellon issued a statement declaring that as regards the French debt the United States had been a more generous creditor than Great Britain. And two days later still, on July 18, Mr. Mellon having sailed the day before for Europe, there was published in the American Press—it appears without his authorisation—a further statement from him. This took the form of a letter in answer to a petition which had been presented to him by a Massachusetts lawyer, Mr. F. W. Peabody, demanding the total cancellation of war debts on the grounds of equity and charity. Naturally but, it seems, incorrectly, Mr. Mellon's reply was regarded everywhere as a counter-attack to Mr. Churchill's speech. In it he used the following phrases :

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It must be remembered that England borrowed a large proportion of the debt for purely commercial, as distinguished from war, purposes—to meet commercial obligations maturing in America, to furnish India with silver, to buy food to resell to the civilian population in order to maintain the exchange. American loans to England were not so much to provide war supplies as to furnish sterling for home and foreign needs and to save England borrowing from her own people.

This letter was followed up by a further statement issued by the United States Treasury, which went into detail as to the commercial nature of the debt owed by this country. Mr. Churchill meanwhile had, on July 19, immediately answered Mr. Mellon in a speech in the House of Commons, of which the following is an extract :

In regard to the Anglo-American debt settlement, on the morrow of the great war and the great victory, when President Wilson first came over to Europe and all the comrade-like sentiments were in all the breasts of the Allied nations, there was an opportunity to plead for the principle of equality of sacrifice which would take into consideration not only money spent, but the blood that had been shed, and also on the other side of the account the territory which had been obtained. But now that time had gone, and we have settled our debt with the United States. "I do not think (Mr. Churchill continued) that it is any use our indulging in recriminations with the people or with the newspapers of the United States over that agreement which we have made, but I must refer to the statement which is attributed to Mr. Mellon, Secretary of the Treasury of the United States, in the newspapers this morning, because I think it would be a great pity if misunderstanding should arise on these points. Mr. Mellon is reported to have said in a statement which I understand was a written statement : ' It must be remembered that England borrowed a large proportion of the debt for purely commercial, as distinguished from war, purposes, to meet commercial obligations maturing in America, to furnish India with silver, to buy food to resell to the civilian population in order to maintain the exchange. American loans to England were not so much to provide war supplies as to furnish sterling for home and foreign needs, and to save England borrowing from her own people.' There really is a complete misapprehension of the facts of the case, and so serious is this misapprehension that it makes me almost doubt the authenticity of the passage which I quote. But what are the facts ? We are only dealing, let the Committee remember,

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with the period after the United States came into the war. There were no loans before then between the Governments. Great Britain, like all the other Allies, spent vast sums of money in the United States on food, as well as on shot and shell, but all the loans of the United States to the Allies were, by act of Congress, specifically limited to the purpose of prosecuting the war. That was the language of the Act of Congress, and the United States Treasury required and obtained full justification for every cent that was lent. Every cent was spent under the supervision of the United States Treasury in what was, according to their view, not ours, the furtherance and prosecution of the war, and every cent was spent in the United States. Between 1917 and the end of the war—that is, during the period of American intervention—we spent over 7,000,000,000 dollars in the United States, and, of that sum, we borrowed 4,000,000,000 dollars, and we provided 3,000,000,000 dollars additional, spent in the United States, from our other resources. Against the 4,000,000,000 dollars that we borrowed, we spent over 1,500,000,000 dollars on munitions and over 2,500,000,000 on cereals and other essential foodstuffs, so that on these two heads alone we spent a sum which equals the whole sum that we borrowed from the United States. As to the special instances cited by the distinguished foreign statesman whose name I have mentioned, there again it seems that he has been either misreported or misled. We spent on the commercial maturities during this same period 354,000,000 dollars out of a total of 7,200,000,000 dollars which we borrowed or provided from our own resources, or rather less than 1-20th of the total dollar expenditure for which we were responsible. As to the silver loan for India, which is referred to, that, as every one knows, was treated quite separately from the war debt and fully repaid by this country in 1923. I hope I shall not be thought to have been wrong in stating these facts, because while there is certainly a good deal of ill-feeling and resentment about all these questions connected with the repayment of war debts, it is very important that that resentment should not be increased by any misunderstanding of what are the actual facts of the situation.

"I think I have answered the greater part of the questions put to me, and I would only in conclusion say that, if we should succeed, as we have done on paper by these settlements, in obtaining from reparations and from debt payments the sum of £33,000,000 a year after 1930, and we have to pay £38,000,000 a year to the United States, that is a very much closer achievement of the principles of the Balfour Note than anything which would have been thought possible in the Cabinet which was responsible for the issue of that Note. It was a hope and an ideal, and a policy and a principle, but that we should have succeeded in translating it into effective agree-

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ments which, if carried out, will so nearly balance the payments we have to make by the receipts which we obtain, I speak for myself when I say that I think we ought not to be discontented with the general situation, nor with the general policy which has guided this country in relation to the European debts. It is the old traditional policy of Great Britain, and it is based on a very long view of the future of Europe and of our country in relation to Europe. Let us have some trust in time, and give time a chance to do its work, not only in the old world, but in the new. Let us so act that time will be upon the side of easier and wiser solutions than have yet been reached and that yet exist in the world in respect of the war debt payments, and let us have confidence in the teaching of facts, in the lessons of experience, which over a long period of years are certain, in my judgment, to produce immense alleviations of the situation which at the present time presses with iron severity on the war-racked nations of Europe."

Finally, on July 23, an official communiqué was issued by the British Treasury, traversing further the statements made by Mr. Mellon and by the United States Treasury. This reply of the British Treasury, although very important, is largely of a too technical character to quote here. The arguments were summed up by the Treasury in the following terms :—

The facts are indisputable that the money borrowed by Great Britain was spent—

- (1) In the United States,
- (2) On United States commodities,
- (3) For purposes approved by the United States Treasury,
- (4) In accordance with the terms of the Acts of the United States Congress—

for the purpose of prosecuting the war.

Great Britain provided the sterling and neutral currencies to meet all her own requirements throughout the war, and, in addition, bore the burden of covering the sterling requirements of her Continental Allies. Had it not been for the fact that the United States did not feel able on entering the war to relieve her of this additional burden, Great Britain would have been able to meet, from the resources she placed at the disposal of her Allies, her expenditure in America, and in all human probability the British debt to the United States would never have been incurred.

The British Treasury feel it necessary to set forth the foregoing



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facts, because they show that no case for discriminating against Great Britain can be founded upon her use of the money borrowed from the United States for the prosecution of the war. No complaint has been made by Great Britain against the adverse discrimination with which she has been treated. It is recognised that the creditor is entitled to discriminate between debtors, and that the debtor is bound to comply with the demands of the creditor up to the full limit of the obligation. It is only when reasons are assigned for such discrimination which clearly arise from a misconception of the facts that the necessary corrections of fact must be made.

It has never been made clear what were the exact reasons which Mr. Mellon had in his mind for stating that the debt owed by this country to the United States was largely commercial in its character. Such a statement must necessarily be read by the public at large throughout the world to mean that the debt was not in fact a war debt, but had been used by this country for its own commercial and trade and not for war purposes. It was natural, and we think inevitable, that any such interpretation should be immediately repudiated by the British Chancellor of the Exchequer. That was necessary both in defence of our own honour and as an explanation to our Allies. It is perfectly true, and in fact not in dispute, that a large part of the debt due to the United States by us was incurred in order to buy in the United States food, cotton and other materials necessary during the war for the civilian population of these islands. As the British Treasury statement says :—

It was recognised at the time, and it is obvious, that the supplies to the civilian population were an essential war requirement. Food for the workman was as important as ammunition for the soldier, nor could the soldier be asked to fight if his family at home was not fed.

The root difficulty of England at the time when the United States came into the war was that she had completely exhausted her own dollar resources. She had spent vast sums in the United States for herself and her Allies, the

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dollars for which she had provided partly in the usual way by exports, partly by selling \$5,000,000,000 of her American securities back to the American people, and partly by borrowing from the American private investor in the New York market. Had America not come into the war, perhaps the most serious war problem before England and the Allies would have been to find the means of purchasing either foodstuffs, raw materials or war munitions from the United States. That could have only been accomplished by borrowing very large sums from the American private investor, since all our own dollar resources were practically exhausted. But when the United States came into the war it was no longer possible to appeal to the private investor. The New York loan market was entirely monopolised by the American Government, and the sole source from which the Allies could obtain funds in the United States was the United States Treasury itself. It is common knowledge to all who lived through that period that the British Government, knowing that for every purchase of whatsoever kind that it made in the United States it must borrow from the United States Government, absolutely restricted all purchases there to such as it considered essential for war purposes. This, in fact, moreover was a condition, as the British Treasury Memorandum points out, which was quite properly insisted upon by the United States Government. Among other essential war requirements were not only foodstuffs, cotton and so forth, but actually the maintenance of the dollar-sterling exchange itself, and for this purpose it was found necessary to borrow a certain sum from the United States in order to provide exchange for merchants and other importers into England, who required dollars in order to make payment for their imports. All these purchases were, however, also restricted to such as were considered necessary for the prosecution of the war. It is indeed indisputable that every penny that we borrowed from the United States was spent on war purposes—that phrase covering, of course, in a modern

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war a multitude of transactions outside the mere provision of guns and shells and other materials actually used for the destruction of human beings.

Mr. Mellon's further statement that "American loans to England were not so much to provide war supplies as to furnish sterling for home and foreign needs and to save England borrowing from her own people" is also a completely incorrect statement of the position, and one which, if true, would be still more damaging to our reputation. In making it Mr. Mellon must have forgotten for one moment the problem of transferring wealth from one country to another, with which the world has in the past few years become painfully familiar. The British Government might have raised billions more pounds sterling at that moment from its own people, but it would not have had one dollar more with which to purchase materials in the United States. For that purpose sterling was useless, and dollars were essential, and the sole source from which the British Government could obtain dollars was the United States Government.

## II. THE ROOT OF THE TROUBLE

But the real heart of this difficult problem is not whether these debts are or are not war debts. The question which will be debated as long as the debts last is whether, being war debts, they should be treated exactly as the whole world rightly expects commercial debts to be treated. It is here that there exists apparently a profound difference between European and American opinion. American opinion, if we understand it aright, is predominantly that for America the great war was not a war of unlimited liability. It was not *their* war in the same way that it was *our* war. They entered into the war in 1917 mainly in order to save the Allies, since no real harm could come to themselves. They saved the Allies, and in so doing

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lost many human lives besides incurring a vast internal debt. It is therefore ordinary business justice that, having performed these infinitely valuable services for the Allies, they should demand the repayment of a great part at any rate of the sums which they lent them during the war, and which each Allied Government solemnly undertook to repay to the last cent. This view is reinforced by arguments that it is exceedingly important for the world that contracts, whether by Governments or individuals, should be upheld, that if one country is ever again to lend money to its allies in wartime, the sums so lent in the last war should be repaid, and further that in that event repayment must inevitably be apportioned according to capacity to pay.

Most European taxpayers, on the other hand, regard, and will always regard, these debts in a quite different light. They believe that from March 1917 America had engaged herself in a war of unlimited liability in just the same way as had all the other belligerents, and that it was equally necessary for her prestige and her future as for theirs that she should be on the victorious side. They believe, too, that it is hopeless to draw up a profit and loss account as between ally and ally. Some nations gave the lives of their soldiers; others the money of their taxpayers. From the end of 1914 to the middle of 1916 France held the bulk of the fighting line while England was preparing an army to fight. From March 1917 till the middle of 1918 France, England and Italy held the line while America was preparing to fight. The countries fighting gave their men and their treasure; the countries preparing to fight could, until they were ready, in the main only give their treasure. If the United States had been ready in March 1917 to play her part fully the war would soon have been over, and the vast bulk of the debts never incurred. These debts were not incurred solely for the benefit of the borrowing countries. They were incurred for the benefit of all. England lent over £600,000,000 to Russia, the greater part of which she will

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never see again. But can it be said that that money has been lost any more than the money which during the same period she lavished, not on the Russian armies, but on her own ? Both contributed to the final victory. It is impossible to say that the \$11,000,000,000 which America lent to the Allies after March 1917 were not lent partly for her own benefit, any more than it is possible to say that the \$11,000,000,000 lent by England to her Allies were not also lent partly for England's benefit. No nation at war *lends* men to its allies. Is there much more reason why it should *lend* money ?

This is the view which naturally finds most favour in those countries which have borrowed more than they have lent. In Great Britain, which lent to her Allies vastly more than she borrowed from America, sentiment is divided. But, while the force of the above argument is felt more seriously by the British taxpayer when he has in mind what he owes America, rather than what France and others owe him, this country has, we believe, always been ready to agree to a complete cancellation of debts if America would do likewise. Lamentably, however, the European Allies in general, including England, have not, by their example, encouraged the American nation to show a generous spirit. No nations could possibly have shown a more selfish and desperately short-sighted view than the Allies themselves in the dreadful reparation settlement of the Peace Conference. How could they decline to pay debts to the United States, at any rate on the ground of inability to pay, when they were exacting, or trying to exact, from Germany sums many times larger ? Even now how is it possible for them to complain on that same ground of the settlements which have been or are being arrived at, when they intend to demand from a single nation £125,000,000 per annum ?

The opinion of this review has always been and is now that it would have been right and wise for all the allied and associated nations to forgive their mutual debts, provided

## The Root of the Trouble

at the same time that there were a generous settlement of the reparation problem. Undoubtedly, had this been their policy in 1919, the world would be far further on towards peace and prosperity now, and we do not despair that the time will arrive when this policy will gain the day.

The American nation, however, from whom such a policy would have demanded a generosity even greater than from us, decided otherwise and insisted on repayment. In the face of this insistence we made our settlement in 1923. It may be argued that by waiting we could have obtained a more favourable one. That is possible, though not certain. But that it was right and wise and even in our interests—considered in the broadest light—to settle we have no doubt. We could not plead that it was impossible for us to pay, and it was not consistent with the position of the British Empire in the world or with its relations to the American Commonwealth that we should remain under a moral obligation to the United States Government. Moreover, it is somewhat difficult for us to condemn the principle of "charging what the traffic will bear," or, in other words, "payment according to capacity," since we ourselves have applied that principle as between France and Italy.

Nevertheless it remains regrettably true that while the payment of our debt on a basis more onerous than that of other settlements made by the United States Government has maintained our honour and our credit, it has not improved, and indeed cannot improve, our relations with our great neighbour. Even if it be admitted that it is both just and politic to demand the repayment of war debts, "capacity to pay" is a very shaky principle on which to found a settlement lasting over two or three generations. Who can judge of a nation's capacity to pay even in this very year? Who can judge of it, in relation to that of other nations, say, in 1940, or 1960, or 1980, when the payments now fixed will still be being made? Elsewhere in this review there are quoted figures showing how

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immensely richer the United States is than England even now. As this wealth grows still more disproportionate and the American debt and taxation constantly lighter, will it be possible for the British taxpayer, heavily burdened and specifically discriminated against, to feel certain that he is being treated with justice ?

The United States, we believe, have no intention whatever of revising the settlement. England will never ask for its revision and will punctually maintain it. She will fulfil her bargain and fulfil it, we hope and believe, in silence and without complaint. If she once more regains her prosperity the burden may appear less onerous to her than it does with all her present troubles. But to those who wish Anglo-American relations to remain unclouded the problem cannot but cause some apprehension.



## DYARCHY IN ULSTER ✓

*"ULSTER has her own Parliament, and manages her own affairs. Why is it that normal political development which elsewhere is attended by acute internal divisions—capital and labour, town and country, and the like—seems in Ulster to hang fire?"* Some such question as this is often put by those whose study of Northern Ireland is from the outside. It can be partially answered, but only at some length, by tracing the steps by which the constitution of Northern Ireland came into being under the Government of Ireland Act, 1920, and by examining the limitations of that constitution, and its relationship to the political aspirations and the industrial circumstances of the Ulster community. An attempt will be made in this article to supply some, at any rate, of the material upon which that answer may be based.

### I. THE "WAR" PERIOD

AT the first general election in Northern Ireland under the Government of Ireland Act—which took place in June, 1921—the political issue before the electors may be said to have been whether or not the constitution provided by that Act for the "six-county area" should be accepted and worked. On one side were ranged the Unionists under Sir James Craig, and on the other the Nationalist and Sinn Féin parties. The Unionists stood

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for acceptance of the Act, as affording limited self-government within the United Kingdom. Both Nationalists and Sinn Feiners adopted a policy of non-recognition—the former because they advocated full “Home Rule” for Ireland as a single unit, and the latter because their object was an Irish Republic separated from the British Empire. In the result, 40 members were returned as Unionists, 6 as Nationalists and 6 as Sinn Feiners. The members of the Nationalist and Sinn Fein parties refused to take their seats, in pursuance of the policy of non-recognition, and thus the new House of Commons came to consist of a single party, with no regular Opposition. The composition of the Senate was two ex-officio members—the Lord Mayor of Belfast and the Mayor of Derry—with 24 senators to be elected by the members of the House of Commons. Only the Unionist Members of Parliament took part in this election, and thus the elected senators were all Unionists; whilst the Mayor of Derry, a non-recognitionist, kept aloof altogether. Both Houses, therefore, of the new Parliament consisted without exception of Unionists, whose policy was to “work the Act,” and who had been returned mainly upon that issue.

Once the new Parliament and Government were constituted, a gradual splitting up of the members, on purely local issues, might have been expected to ensue. During the early period, it is true, some contentious measures were introduced by the Government—notably the Education Act and the Liquor Act—but these did not cause any party readjustments at the time, nor did they bring about very serious losses to the Government at the general election of April 1925. The Unionist party in the Northern Ireland Parliament has remained, on the whole, intact, and retains a solid majority over the Nationalist and Labour groups which came in as the result of the last general election. This situation naturally provokes inquiry as to why Northern Ireland is immune from domestic party issues. So far as this inquiry covers the situation

## The "War" Period

during the period from June 1921 to the end of 1925, the reason can readily be assigned. The mere existence and functioning of a separate Parliament and Government for Northern Ireland were facts which did not for some time pass out of politics, nor did they meet with immediate general acceptance. They did not, in fact, finally pass out of the range of controversy until the close of the period mentioned. The political issue affecting Northern Ireland was for over four years a simple one—"to be or not to be"—and thus the mandate of her Unionist Government and of the majority in her Parliament remained strong and unexhausted. The new Government was called upon from the very first to put down disorders inspired by the policy of non-recognition, and to decide whether to accept or reject proposals made for changes in the constitutional position of Northern Ireland. The actual existence of the constitution depended in December 1922 upon the passing of an address to the Crown by both Houses of the Parliament—known in Ireland as the "opting out." Moreover, when the "opting out" was accomplished, two difficult questions still remained to be disposed of—the question of the revision of the boundary and the question of the administration of railway, fishery and veterinary services.\* It is not necessary to go into the details of these two questions here, but it will suffice to say that, so long as they remained in abeyance, the constitutional scheme of Northern Ireland remained incomplete, and therefore the mandate of the party elected to "work the Act" was kept alive. With the happy agreement concluded in December 1925, between the Imperial and the two Irish Governments, there came a satisfactory settlement of these matters—the boundary of Northern Ireland continuing as defined by the Government of Ireland Act, and the disputed services

\* Under the 1920 Act the administration of these services was intended to have come under the Council of Ireland, which was to represent both Northern and Southern Ireland, but which, however, never came into being. (See THE ROUND TABLE, No. 56, September 1924, pp. 771-776; No. 62, March 1926, p. 355.)

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passing into the jurisdiction of her Parliament and Government. With that agreement the "war period," during which questions were at issue between the two Irelands, was brought to a close, and at length a new situation in domestic politics became possible. Why, then, is that situation still slow to arise? Let us examine the constitution with this question in mind.

### II. DYARCHY AND ITS EFFECTS

**I**N order to obtain a general idea of the constitution of Northern Ireland, it may be helpful to compare it briefly with other types of separate constitution which are to be found within the British Empire. All alike are by law subject to the paramount authority of the Imperial Parliament, but their powers of self-government vary in extent and degree.

The Dominions possess responsible government, and as regards these, custom has restricted the powers which are reserved to the Crown to extremely narrow limits. The Imperial Secretary of State has no control over any public officer except the Governor. In matters affecting the internal affairs of a Dominion the Governor acts almost without exception on the advice of his Ministers, who are responsible to the legislature. The powers of a Dominion Parliament and Government are conferred in general terms in respect of "the peace, order and good government" of the Dominion. Within a Dominion there may exist, subject to these general powers, provincial legislatures and executives having specified subordinate powers, and the Government of a province is responsible to its legislature. A Crown Colony, again, differs both from a Dominion and a province of a Dominion. It lacks the essential element of responsible government—the control of the executive by the legislature—and the administration is carried on by public officers under the control

## Dyarchy and its Effects

of the Imperial Secretary of State. The Irish Free State, for instance, has become a Dominion, but the measure of self-government accepted by Northern Ireland does not bring her within any of these categories. She is not a Dominion, a province or a Crown Colony. It is curious to note, in passing, that the legislation which conferred a limited self-government upon Northern Ireland may be said to have also made provision (now spent) for her becoming, according to circumstances, either a Crown Colony or a province within a Dominion. The Government of Ireland Act, 1920, provided that if, as a result of the first election of members of the House of Commons of Northern Ireland, there was a failure to constitute that House, a form of official or Crown Colony government should be set up. The Irish Treaty Act of 1922, again, gave to Northern Ireland an opportunity to become in effect a province in the Dominion of the Irish Free State. The circumstances leading up to Crown Colony government never arose, and the "provincial" status was rejected by the "opting out" Address, so that Northern Ireland retains a constitution *sui generis*, comparable in some respects to the "dyarchy" of India, in some features akin to the constitution of a Dominion, in others to that of a Crown Colony, and in others to that of a province, but having this essential element, that she remains a part of the United Kingdom for various important purposes of legislation, administration and finance. It is to this last element in the constitution that we may look for a partial explanation of the fact that party issues as to the domestic concerns of Northern Ireland are still slow in formulating themselves.

To the Parliament of Northern Ireland there has been granted a legislative power according to the Dominion formula—"to make laws for the peace, order and good government" of Northern Ireland—and her executive is fully responsible to her Parliament. But the Dominion formula is limited in its application by certain restrictions

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upon the general legislative power, whilst the executive power is co-extensive with that of the legislative. These restrictions comprise, in the first place, all matters relating to the Crown, peace or war, the forces of the Crown, the defence of the realm, relations with foreign States or other parts of His Majesty's dominions, and all matters of purely Imperial concern. If the restrictions upon self-government stopped at this point, and did not touch matters of local interest, we should not be able to find in the constitution itself any reason for the slow development of domestic party issues. But we discover in the constitution additional restrictions, which remove some eminently debatable matters of local interest from settlement in the local Parliament. As the Imperial Parliament and Government retain jurisdiction over these matters, it follows that they fall to be debated at Westminster, where, in the House of Commons, Northern Ireland has thirteen representatives, who may or may not be representative of the party which has a majority in the local Parliament.

What, then, are the matters whose settlement rests with the Imperial authority by reason of the additional restrictions? They seem to fall into two classes, if we treat them according to the principles which may be supposed to underlie the imposition of the restrictions. The first class comprises matters which, in a Dominion, would naturally pass over to the Dominion authority, but which, in order that the United Kingdom might be preserved as an entity containing Ireland, were under the Government of Ireland Act kept in the hands of the Imperial authority—the levying and collection of Customs duties, Excise duties on articles manufactured and produced, and Income Tax. In the second class we may place various matters appropriate to a scheme of local government, but whose transfer to a local administration in Ireland was deferred, in the hope of avoiding “partition,” until such time as a union might take place between the two equal subordinate governmental units of Northern and Southern Ireland, as contem-

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plated by the Government of Ireland Act. This hope did not come to fruition, and consequently the matters in this class remain within the Imperial jurisdiction. The chief of these, as the constitution now stands, are the postal service, the completion of land purchase, and the Supreme Court of Judicature. The taxes and matters to which the restrictions apply are described as being "reserved," and, if the present constitutional position of Northern Ireland is to be properly understood, the practical working of the system of "reserved" powers must be examined.

Customs and Excise duties, Income Tax and any other taxes on profits are reserved, as has been pointed out, to the Parliament and Government of the United Kingdom, and continue to be imposed and levied as before the transfer of powers, and are paid into the United Kingdom Exchequer. But the constitution applies Northern Ireland taxes to Northern Ireland purposes, and provides a machinery—the Joint Exchequer Board—for determining, in the first place, what part of the proceeds of reserved taxation is "properly attributable" to Northern Ireland, and, secondly, what deductions are to be made from the sum so attributed, in order to defray Northern Ireland's contribution towards purely Imperial expenditure, and to defray the cost of the administration of the reserved services. The balance is called the "Northern Ireland residuary share of reserved taxes," and is paid over periodically on the certificate of the Joint Exchequer Board, to the Exchequer of Northern Ireland, and becomes revenue which is fully at the disposal of the local Parliament and Government. Apart from the classes of taxation which produce this revenue, the local Parliament has power to impose and collect taxes for the benefit of its Exchequer, with the specific limitation that it may not impose a general levy on capital; taxes of this class are usually described as "transferred taxes." Two features of this system must be kept in mind when reviewing the scope of Northern



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Ireland's local responsibility in finance. First, that the revenue accruing to the local Exchequer from the reserved taxes forms the bulk of the total local revenue—being, roughly, seven times as great as the revenue from transferred taxes. Secondly, that this financial system necessitates the permanent existence of an independent financial tribunal—the Joint Exchequer Board, which consists of three members, appointed respectively by the Treasury, the Ministry of Finance of Northern Ireland and His Majesty, the Crown nominee being the chairman. The attribution of tax proceeds to Northern Ireland, and the ascertainment of the cost of reserved services are matters which must be decided upon a definite set of facts. But in the fixing of the amount of Northern Ireland's Imperial contribution a wide financial discretion must inevitably be exercised by the Joint Exchequer Board. This amount is to be such as the Board "may, having regard to the relative taxable capacities of Northern Ireland on the one hand and Great Britain and Ireland on the other hand, determine to be just," and this amount is subject to quinquennial revision. The difficulty of the task thus imposed upon the Board was apparent from the outset, and was complicated by the setting up of the Irish Free State, and the consequent dislocation of a scheme intended for a Northern Ireland and a Southern Ireland equally subordinate within the United Kingdom. In January 1923 a Treasury Committee, known from the name of its distinguished chairman as the "Colwyn Committee," was set up in order to enunciate a principle for determining or altering the then scale of the contribution of Northern Ireland to the cost of Imperial services, for subsequent application by the Joint Exchequer Board. After an exhaustive investigation extending over two years the Committee finally reported

that due regard will have been had to the relative taxable capacities mentioned in the Acts if the proportion to be contributed is based on the following lines: The extent to which the total revenue

## Dyarchy and its Effects

exceeds the actual and necessary expenditure in Northern Ireland shall be taken as the basic sum for determining the contribution. . . .

In other words, the amount of the Imperial contribution is the excess of total revenue over adequate local expenditure. The essential question therefore arose—what is the measure of adequate local expenditure? The Committee proceeded upon the assumption

that the satisfaction of certain basic needs of local administration is essential before taxable capacity in an appropriate sense can be effective,

and these basic needs are to be measured upon the principle of treating as necessary local expenditure the amount which would be required to be expended on public services in Northern Ireland in order to provide an "average standard of service" not lower than the standard for the time being existing in Great Britain. Broadly speaking, Northern Ireland is to be allowed for her own disposal so much of her total revenue as will keep her abreast of Great Britain as respects administrative and social services, and the balance is to go towards Imperial services. The Committee applied this principle first to a standard year (1923-4) and then made provision for adjusting the contribution, as regards future years, according to the variation of the factors material to their basic principle. It is apparent, therefore, that the financial system of Northern Ireland renders it necessary for a local Chancellor of the Exchequer, in framing his budget for a financial year, to take into account other circumstances than local expenditure and the raising of local revenue. He has to form an estimate of the probable yield of reserved taxes, the probable cost of reserved services, and the probable amount which will be allowed to him for the financial year by the Joint Exchequer Board for a necessary local expenditure ascertained by reference to the average standard of service existing for that year

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in Great Britain. These complications have been explained with admirable lucidity by the present Finance Minister to the Northern Ireland House of Commons when making his budget statements ; but it is obvious that only a small proportion of the "ways and means" which have to be found for a year's expenditure is under the direct control of that House. The transferred taxes—such as motor car licence duty and the entertainment tax—are debated both inside and outside the House with the greatest keenness, but, as has been shown, their yield in comparison with that of the reserved taxes is small.

Land purchase in Northern Ireland is, under the constitution, a reserved matter, as its completion by means of State advances to the tenants could not be accomplished without the assistance of Imperial credit. In fulfilment of a promise to "complete land purchase" on the lines of an automatic sale to the tenants as proposed in 1918 by a sub-committee of the Irish Convention, a Land Bill was introduced by the Government in the House of Commons at Westminster towards the close of 1924. The introduction of this Bill gave rise to strong opposition on the part of a section of the tenants—styled the "unbought tenants"—who were dissatisfied with the terms proposed for the annuities payable by tenants in repayment of their purchase advances. The Imperial Government were not disposed to proceed with their Bill unless it could be treated as non-controversial, and this crux was dealt with by the Government of Northern Ireland, who brought the landlords and the Farmers' Union (representing the majority of the tenants) together, and achieved an agreement to accept the Bill. The Home Secretary stated on the second reading of the Bill that

the landlords and the Government of Northern Ireland have agreed to pay an extra bonus of one half-year's rent to the tenants . . . one-fourth to be provided by the landlord and one-quarter by the Government of Northern Ireland. There is no liability upon us in this House or upon this Government or this country.

## Dyarchy and its Effects

In addition to this local charge, various administrative expenses of the completion of land purchase fall upon the Northern Ireland tax-payer—who also has a direct interest in the collection of the annuities by which the advances are repaid. The whole matter—apart from the use of Imperial credit to finance the advances to tenants—is one of local interest; and there are words in the constitutional Act which seem to contemplate its transfer to the local Parliament and Government when the sales to the tenants are complete, and when the matter thus resolves itself into one of collecting annuities.

The Supreme Court of Judicature is also a reserved matter, but the local Government and the local tax-payer are not without an interest in its administration. The Judges are appointed by the Crown on the advice of Imperial Ministers; are removable on addresses to the Crown passed at Westminster; and paid out of the Consolidated Fund of the United Kingdom. But, at the same time, these Judges administer laws made by the Northern Ireland Parliament; the ultimate incidence of the cost of the Supreme Court and its officers is upon the Northern Ireland tax-payer; and the Northern Ireland Government is, in practice, consulted before appointments to the bench are made. Thus both the Imperial and the local authority may be said to be concerned with this service.

With such a division of responsibility between Westminster and Belfast, effective local criticism of the administration in various matters, especially finance, becomes a task of extreme difficulty—a circumstance which is bound to retard the growth of a vigorous local party system.

## Dyarchy in Ulster

### III. THE FUTURE

THE setting up of a separate administration for Northern Ireland was unquestionably due to political rather than to economic considerations. The next few years should afford an opportunity for studying the direction which may be taken by the resultant of the political and economic forces. Will it be centrifugal, and towards an enlargement of local powers, or will it be centripetal, and in the direction of closer union with Great Britain? The history of our colonial Empire would lead the inquirer to expect the former development. Moreover, a revival of the distributing trade with the South, or a co-operation between Labour North and South would, if either materialised, be economic forces which might set towards union between the two areas, and thus work centrifugally. On the other hand, the Tariff policy is still in the ascendant in the Irish Free State—a policy which is opposed to the ideals of the party in Northern Ireland which undertook to “work the Act.” The declared ideal of that party is the closer union with Great Britain, and it is by no means certain that the economic forces will not work in the same direction. For instance, although under the constitution unemployment insurance is a service which has passed to the local Parliament and Government, it is doubtful whether this separation fully corresponds to the industrial circumstances. This point was well illustrated recently by an Ulster representative in the Commons at Westminster, in a debate upon an agreement between the two Governments to establish a scheme of mutual reinsurance for the separate Unemployment Insurance Funds of Great Britain and Northern Ireland :

Northern Ireland, for industrial purposes, is (he said) really a part of the United Kingdom. It is part of the United Kingdom politically to some extent, but industrially it is, in fact, part of the

## The Future

United Kingdom. A great proportion of the trade of Ulster is foreign trade, and as all matters dealing with foreign trade are retained by the Imperial Parliament, the Government of Northern Ireland, if ever it desired to improve its trade by imposing tariffs, has no power to do so. Again, the workers in Northern Ireland are members of trade unions, the same trade unions to which people engaged in similar trades in Great Britain belong; and to cut off Northern Ireland for unemployment insurance purposes is, in our opinion, a very arbitrary operation. The number of insured persons in Northern Ireland is little more than half the number of insured persons in the Clyde and Glasgow district, and I am sure that no honourable Member opposite would contend that in future the Clyde district must be a separate area for insurance purposes and must rely entirely on its own resources.

Another illustration of the same point may be taken from the recent general strike. At the outset of the strike, Mr. Kyle (Labour) in the Northern Ireland House of Commons asked the Minister of Home Affairs if he was aware that coal merchants had increased their prices for coal, and what steps the Government were going to take "to prevent this exploitation of the needs of the people in the necessities of life." This question elicited—in addition to a denial of the alleged exploitation—the announcement on behalf of the Government that "there has during the past two days been an abnormal demand for coal and other necessities of life, and . . . I hope to introduce and pass through all its stages to-morrow a measure designed to strengthen the hands of the Executive in protecting the interests of the community." A Bill similar to the Imperial Emergency Powers Act was accordingly placed on the Statute book. Neither at the time when these steps were taken, nor at any period of the general strike, did that movement spread to Northern Ireland. Nevertheless the conditions of life in the province reacted immediately to industrial dislocation in Great Britain, and rendered necessary the taking, in some matters, of similar emergency action by the local executive.

It must not be supposed that the initial period in Northern Ireland has proved a period of stagnation,

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or that true local issues when they arise are not vigorously contested. The Unionist policy of "working the Act" is by no means a negative one. The Government which adopted that policy has achieved the gigantic task of restoring peace and order out of chaos, has passed measures of reform as regards educational administration and the sale of intoxicating liquor, and has taken every opportunity for improving administration and assimilating the law of Northern Ireland to that of Great Britain. On the other hand, public opposition to Government proposals, though it shows indications of being conducted on a sectional as much as a political basis, is vigorous and outspoken enough. As a passing instance, the opposition of the football section to the Entertainment Tax may be mentioned. The reduction which was effected in this tax as regards Great Britain was not adopted by the Northern Ireland Government. *Hinc illæ lacrimæ!* We are told that no more international Rugby games will be played in Belfast until some concession has been made as to the tax; and, more terrible still, that "if the entertainment tax is not abolished or modified we shall put up candidates at the next election to oppose all the present Members of Parliament who are against any change being made. We have got the candidates ready; they are all good sportsmen and good Unionists." It is noteworthy, also, that the Opposition leaders in the House of Commons are not content with the policy of "working the Act." The question of "to be or not to be" has been settled, and some who were formerly non-recognitionists are now in the House. Suggestions frequently come from the Opposition benches that the Government should keep the Imperial contribution in Northern Ireland, or should press for the immediate transfer of the reserved services. These suggestions show, at any rate, that the Members making them are conscious that the local Parliament, with its constitutional limitations, is not an institution suitable for the full development of party government. But the period



## The Future

of transition is hardly yet at an end, and it is too soon to go beyond the noting of tendencies. It is too soon to pronounce definitely whether the Ulster community wishes that complete self-government within the Empire should be evolved out of that limited system—"the working of the Act"—which was accepted, at a crisis, as a political expedient, or whether such an evolution would fit the industrial circumstances of the community better than a close union with Great Britain.

Belfast. August 1926.

## CANADA AND THE BRITISH NAVY

(FROM A CANADIAN CONTRIBUTOR)

THERE has been in the last year or two, and especially in the last few months, a revival of discussion on that difficult and perhaps dangerous subject of disagreement between Great Britain and the Dominions, contribution to Imperial defence.\* Certain public men in England, overborne by the consciousness of the immense financial burdens of their own country, have sought consolation in visions of an Imperial navy the cost of which would be evenly distributed among all the self-governing States of the Empire according to population or overseas trade. Not infrequently a plaintive note creeps in, reminiscent of the attitude taken sixty-five years ago towards Canadian stupidity, effrontery, and greed in imposing protective duties against British goods. It is implied at least, if not boldly stated, that the people of the Dominions and Canadians especially—for Canada is the most shameless sinner—are allowing themselves to be protected by a navy which they refuse to support, and at the same time are enjoying far lower taxation and a higher standard of living than the British taxpayer upon whom the burden of their defence almost wholly falls. It is further alleged that the old arguments are no longer valid whereby such niggardliness was once excused; it was reasonable perhaps in 1907 for Sir Henry Campbell Bannerman to say that "the cost of naval defence and the responsibility for the conduct of foreign affairs hang together"; but let that test be applied now that the Dominions claim, and at times have exercised, power in foreign policy; let "equality of status" be ex-

\* See THE ROUND TABLE, No. 62, March 1926, p. 236.

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pressed in terms of cruisers and destroyers as well as in fine phrases about nationhood and autonomy.

There is certainly a good deal of resentment on both sides of the Atlantic over this matter of high Imperial policy, most of it suppressed or toned down in public utterances. In private conversation there is no surer way of starting an acrimonious discussion between Englishman and Canadian than to debate the question. To the Englishman the sort of argument outlined above usually seems obvious, and the refusal to recognise its truth perverse, mean-spirited, ungenerous. The Canadian, hurt by the charge of meanness, annoyed by the implication that his adolescent country is still sheltering behind the maternal skirts, is wont sometimes to reply with heat and irrelevance that he is not going to pay to support European militarism, or economic imperialism—a vague but dire phrase!—or Tory jingoism, or some such shibboleth of the righteous inhabitant of the North American continent. In any case they thoroughly misunderstand each other; and it seems an appropriate time to dissect the causes of their misunderstanding, and to try to explain why the vast majority of the people of Canada do not feel in the least ashamed of the wretched pittance which they annually devote to the protection of their shores. It must not be thought that reluctance to assume the burden of naval defence is confined to any political party, or to the inhabitants of any section of the country. No party, no public man of weight, no newspaper of influence, supports an increase in naval expenditure to-day, whether by way of building up a Canadian fleet or of providing funds for the Admiralty. There appears to be no likelihood that this attitude will change. Criticism of the current expenditure is confined to details; at the most a Conservative Government might spend two or three millions more than a Liberal Government.

It may be well at this stage to put aside certain considerations which are often advanced. First, it is doubtful whether there is any reality to-day, so far as Canada is

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concerned, in the contention, put forward in a recent number of *THE ROUND TABLE*,\* that the preferential tariff for British goods is an indirect contribution to defence. Historically this may have been the case; but nowadays the preference is no longer defended on these grounds. It is regarded generally, not as a make-weight offered to compensate for the absence of direct aid, but as a free and generous expression of the desire of the Canadian people to further Imperial interests. It is emphatically not felt to be a *quid pro quo*. Indeed, in the election campaign of last year it was attacked bitterly by Conservative speakers, supposedly "Imperialist" in general outlook, as damaging to Canadian industry; and if a Conservative Government succeeds to power it is almost certain to be modified. Secondly, an equal unreality pervades the argument that Canada is contributing to the defence of the Empire by opening lines of Imperial communication through her territory and maintaining them at heavy cost. These undertakings are necessary to Canadian development, and independence would not alter or modify their nature. They might prove useful in case of war, but in no sense are they a conscious contribution to defence. A third false argument of a different character is not so easily stated. There has been a good deal of talk in England (not perhaps in responsible quarters, but none the less symptomatic) of the failure of the Dominions, and especially Canada, to "do their duty" by the Empire, to make a return in the day of their strength for services received in the past. The politics of the British Commonwealth cannot be expressed in the terms of the trader's balance-sheet. Of what their duty is, Canadians must be the judge. They do not like being lectured—indeed, they are unduly sensitive; but since 1914 they are inclined to answer all such suggestions by giving to Kipling's lines a new application: "If blood be the price of admiralty, Lord God, we ha' paid in full."

\* See *THE ROUND TABLE*, No. 62, March 1926, p. 247.

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The truth is not to be found down these alley-ways. It can be ascertained only by realisation that the view of the responsibilities of empire widely current in Canada differs greatly from the view of the obligations of the Dominions widely current in Great Britain. The purpose here, let it be said, is neither to praise nor blame, but merely to explain, Canadian opinion; understanding on both sides is necessary to remove increasing friction. When last autumn Lord Jellicoe published a scheme calling for greatly increased naval expenditure by the Dominions, his words were seized upon as an election issue in the province of Quebec. The frequent production of tables showing the comparative contributions to defence made by Great Britain and each of the Dominions also causes annoyance, whether or no a moral is drawn from the figures. This annoyance is not the product of a guilty national conscience; public opinion in Canada may sometimes be little-minded and self-centred, but it is not mean-spirited. It is genuinely felt that it is unreasonable to expect Canada to assume a larger portion of the naval expenditure of the Empire, that there is no "duty" to do so inherent in membership in the Commonwealth, and that, if any such step were taken, it would be in the nature of an eleemosynary grant.

Why this difference in view? It is best explained, perhaps, by seeking an answer to the question: What does the British navy defend? To answer simply "the British Empire" is to beg the question. The Commonwealth is composed of six autonomous units and their dependencies; and it is obvious that they are not all defended by the British navy in the same degree. The naval expenditure of Australia and New Zealand is much larger than the naval expenditure of Canada; it may be doubted whether this is due to any more intense "loyalty" or "attachment to the Crown"—such phrases usually only obscure realities; the simplest explanation is that the inhabitants of these Dominions are conscious of a menace which does not

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threaten the people of Canada. Yet even in Australia naval expenditure *per capita* is less than half what it is in Great Britain. Are the Australians therefore to be regarded in the ledgers of the Commonwealth as bankrupts, paying only ten shillings in the pound, while the Canadians escape with a beggarly sixpence? The truth is that in Canada most people believe that the cost of the navy should be borne by those who need the navy; they believe that the navy exists to defend British interests, using "British" in the narrower sense of appertaining to the people of Great Britain; they believe that if Canada were an independent State it would be just as secure from attack as it now is, and that Great Britain would then need to maintain just as large a navy for its own defence. The British navy, in short, is the concern of the people of Great Britain; it does not exist to protect Canada; it exists to protect the island of Great Britain, its trade and commerce, the Indian Empire, the Crown colonies and dependencies. Some may ask here: But are not these British possessions the concern of the people of Canada? A concern, perhaps, though in reality a remote one; certainly not a responsibility. The African colonies, for example, are not a Canadian estate; it falls on the people of Great Britain to control their development and to receive the rewards, just as it falls on the people of Canada to control the development of the unoccupied lands within the Dominion. Naval defence may be necessary in the first case, subsidised railway service in the second. There exist both a British Empire and a British Commonwealth of Nations. The British Empire is composed of Great Britain and its dependencies, still including India; and the British navy exists for its defence. The British Commonwealth is composed of six sister self-governing States, some of them, like Great Britain and Australia, with external colonies; others, like Canada and the Irish Free State, without—though Canada possesses, contained within the borders of the Dominion, what is in effect a great and unde-

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veloped colonial empire. For the dependencies of each of the members of the Commonwealth the Government concerned only has direct responsibility; similarly responsibility for the defence of shipping and mercantile interests is distributed according to the danger felt. If the British navy protects Canadian shipping, it protects also Swedish shipping, Belgian shipping and Danish shipping, but it has never been suggested that these States should contribute to its cost; it protects them all because it performs a high international function in policing the seas, a function assumed because of its vital importance to the people of Great Britain, and admirably discharged.

It has just been said that the British navy does not protect Canada. How, then, is Canada protected? It is protected by a simple geographical fact coupled with a complex political fact. Canada is so situated as not to be open to maritime attack—except from one side. The sea-distances are too great, the chief centres of population are too remote from the coast, for a naval attack to be dangerous. When one remembers the vast amount of shipping which was absorbed by the operations at the Dardanelles and Salonica, where there were plenty of near-by advanced bases, it can be seen that the task of landing, defending, maintaining, and reinforcing a hostile force on Canadian soil from across the North Atlantic or the North Pacific would be stupendous. That is the opinion not merely of amateur strategists in Canada, but of the highest official authority. Unless new inventions revolutionise naval warfare, isolated raids on certain more exposed positions, destructive perhaps, but not fatal, are all that need be feared. Against an attack from one State, however, these arguments do not apply. Yet if Canada were to be attacked by the United States, could the British navy save her? The direct problem of Canadian defence is unilateral, and it is of such a character that the provision of armaments is no means to its solution. A hostile and aggressive Government at Washington, backed by a solid opinion,



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could without doubt submerge Canada in time, and a few extra warships would not diminish the danger. To avert any risk from that quarter other means must be relied on, other methods of solving disagreements. And one further consideration had best be pointed out, whether the people of Canada like it or not. Suppose that a war did break out in which the Commonwealth was involved, and that some hostile Power, in spite of the immense difficulties, did attack Canada. Would the United States be likely to stand by as an idle spectator? May it not be maintained that at bottom the chief protection of the Dominion to-day is American power more than British power? It is on the spot, and it has for generations been pledged to resist any encroachments by foreign Powers in the two Americas. The Monroe Doctrine, of course, was never meant to apply to Canada, and any attempt to stretch its meaning in that direction would be certain to arouse at once a fierce passion of resentment. But Canada and the United States are so closely bound together by numberless ties that any serious menace to one is also a serious menace to the other; neither would be able to stand aloof in cold neutrality if the existence of the other were at stake. However this may be, it is clear that the protection afforded to Canada by the British navy cannot be compared with the protection afforded to Great Britain or to Australia or to the tropical dependencies. Canada happens to be possibly the safest State, in a strategic sense, on the face of the globe. A naval service sufficient to prevent smuggling, perhaps a mine-laying squadron to block harbour-mouths and the St. Lawrence channel, and possibly a few small craft for coastal defence—what more would Canada need as an independent State?

These are weighty considerations, influential in moulding Canadian opinion, and yet apparently often ignored outside. It must be admitted that in this analysis the problem has been slightly over-simplified. The argument has been stated nakedly and without qualification, so that its full

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force might be revealed. In many of the questions of international intercourse it is hardly possible to differentiate so clearly between Canadian interests and British interests. In particular there remains to be discussed one important aspect. "All right," one may imagine the mythical upholder of a Canadian contribution to the navy as replying, "That is your view. Act on it. Withhold your money. Devote it to building up your own country. But if you claim that the British navy is not a concern of yours, renounce your demand for an adequate voice in determining the policy of which the British navy is an agent. Either declare your independence or keep quiet, and do not hinder us, who are concerned, from doing what we think best." In this reply there is some force; and yet perhaps not so very much. If it is sound, the Commonwealth is as good as dead, for there seems to be no chance, as has been said, of an increased naval expenditure in Canada, nor is there any chance of the claim to equal status being renounced. It impales the Commonwealth on the horns of a dilemma; and, as usually proves to be the case in matters of politics, the logic is faulty and the dilemma false. It makes the contribution to naval defence the supreme test in Imperial relations. The Canadian reply is along these lines: "Armaments are obviously for protection, my friend. Does the resident of Hampstead need to fortify his house with machine-guns? We are fortunately situated. It is most unlikely that a war will arise over a purely Canadian interest. The United States is our one neighbour, and there you could not protect us if you would. Do you ask us to arm in defence of India or of British power in the Mediterranean? We answer that it is not our job, but yours. Yet if a war does break out over a British or an Australian or a South African interest, we also are at war; though our own Government determines what forces we employ, we must bear the burdens and run the risks of a belligerent. It is altogether likely that we shall contribute substantial aid, as we did in 1914.

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Even if we do not, we shall be profoundly affected if the war is a major one. In view of that risk, is it fair to expect us to leave the issues of peace and war in the hands of the British Government, even if we have not got a navy? If you comprehend my view of the responsibilities of the various members of the Commonwealth, you will see that this fuss over the navy is hardly relevant to our claim to equality of status."

And so the debate goes on; and the root of the divergence is that the Canadian and the Englishman understand differently the British Commonwealth. It is not the natural difference between the points of view of the centre and the circumference, for the British Commonwealth cannot be metaphorically represented by so simple a geometrical figure as a circle. It would be absurd, moreover, to pretend that the misunderstanding is confined to one side. A generous view of the responsibilities of an advanced and democratic people to mankind at large is by no means uncommon in Canada; such a view prevailed without opposition in 1914, and will prevail again if a great crisis recurs, though in these years of disenchantment it may seem at times to be submerged. Yet there exists hardly any informed opinion on foreign affairs. There is dense ignorance of the policy followed, and the problems faced, by Great Britain, in India and the tropical Empire. There is an inclination, the product perhaps of experience at home, to be unduly cynical in matters of politics and to interpret the motives of all Governments at the lowest possible moral value. These characteristics of Canadian opinion, however, do not affect the issue here under discussion. Canadians feel that their refusal to support the navy is the logical result of the theory of responsible government, and that those who are hurt or annoyed by their attitude are living in the past and do not understand the realities of to-day.

Canada. July 1926.

## SOUTHERN RHODESIA UNDER RESPONSIBLE GOVERNMENT

ON September 1, 1923, Letters Patent were issued providing for the constitution of responsible government in the Colony of Southern Rhodesia. The preamble to the Letters Patent stated that His Majesty "was minded to provide for the establishment of responsible government subject to certain limitations hereinafter set forth." The new form of government took the place of the administration for which the British South Africa Company had for many years been responsible and followed the decision of the European population as expressed by referendum not to accept the offer made by General Smuts on behalf of the Union Government to include the territory in the Union on terms which, so far as both Parliamentary representation and finance were concerned, were undoubtedly favourable to Rhodesia. At the time the European population of Southern Rhodesia numbered less than 35,000 as compared with about 850,000 natives. The decision, therefore, of His Majesty's Government to set up a system of responsible government afforded evidence of the satisfactory nature of the administration of the British South Africa Company in so far as the political education of the people is concerned.

When the new form of government came into being it found itself in possession of unalienated Crown lands amounting to something like 44,000,000 acres and a revenue of about £1,326,000, the more important heads of which were :—

Customs duty	..	£403,000	Income tax	..	£281,000
Native tax	..	242,000	Posts, telegraphs and stamps	..	218,000

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The Company's administration had been decidedly economical, and the current year's revenue had exceeded expenditure by about £150,000. The new Government, in terms of the settlement made between the Company and His Majesty's Government, became entitled to all receipts arising from sales and rents of Crown lands, but was under obligation to pay to His Majesty's Government, not later than January 1, 1924, a sum of £2,000,000, being part of the consideration payable by the Crown to the Company, together with a sum representing two amounts of £150,000 each advanced by the Imperial Treasury to meet the cost of public works in 1922 and 1923. A sum of £3,000,000 was accordingly borrowed, the loan being issued by the Bank of England and ranking as a trustee security, from the proceeds of which the amount due to His Majesty's Government was paid, leaving, after deduction of the expenses of the issue, about £600,000 (since increased by a further issue of £1,000,000) available for the establishment of a Land Bank and for public works of various descriptions. On the whole, therefore, the financial position of the new Government was favourable, the land revenues, together with the surplus left by the Company, being sufficient to provide for interest and sinking fund on the loan.

### I. THE LIMITATIONS IN THE CONSTITUTION

ON the other hand, as already stated, the Constitution had been granted subject to certain limitations not usually affecting the freedom of action of self-governing communities. Of these limitations, the most important are those relating to native affairs, the railways and the mineral rights.

## The Limitations in the Constitution

### *Native Affairs*

As regards Native affairs, the Constitution preserves the system of administration previously in existence under which the appointment, suspension and removal of officers of the Native Department are subject to the approval of the High Commissioner, who is also empowered to obtain from the Governor any information with regard to Native affairs, and to request the reference to a Judge of the High Court of any questions relating to the natives, while the punishment for revolt or other offences by chiefs and tribes, and the establishment of Native Councils are also subject to his approval. These provisions had *mutatis mutandis* been in force for many years and had caused little or no friction, and it may safely be assumed that only under very exceptional circumstances would the High Commissioner think it necessary or be expected by His Majesty's Government to question the discretion of the Southern Rhodesian Government in such matters. The fact, however, that the authority of the High Commissioner and through him the authority of the Imperial Government are so preserved may perhaps be taken to indicate the recognition on the part of His Majesty's Government that the grant to a community of less than 35,000 people of entirely unfettered jurisdiction over a large native population, which though not *de jure* is *de facto* as yet without electoral representation, would have been an experiment open to criticism in the Imperial Parliament and elsewhere. The Constitution, moreover, contains certain other provisions safeguarding the position of the natives. Under Clause 28 any law (save in respect of the supply of arms, ammunition or liquor to natives) whereby natives may be subject to any conditions, disabilities or restrictions to which persons of European descent are not also subjected, is reserved for the approval of the Secretary of State. Again, Clause 42

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provides that the Southern Rhodesia Order in Council 1920 whereby the native reserves amounting to 21,600,000 acres were vested in the High Commissioner and set apart for the exclusive use of the natives is to continue of full force and effect, while Clause 43 preserves the right of the native to acquire and hold land on the same conditions as a person who is not a native, though no contract for encumbering or alienating land, the property of a native, is valid unless made before a magistrate who certifies that the consideration is fair, and that the native understands the transaction. None of these provisions of the Constitution appear so far to have led to any difficulty, the new Government, as already indicated, has continued the system of native administration and education which it inherited from the Company, and no friction has arisen either with the Imperial Authority or with the natives themselves.

For some years, however, there has been all over South Africa, and especially in the Union, much talk of what is known as segregation. As the European population grows, increasing attention is drawn to the difficulties which must arise either if Europeans and natives own land and live side by side, or if sufficient land is not provided on which the native can find a permanent home of his own. This is not the place for discussion of the course of events in the Union which has led to the announcement of General Hertzog's so-called segregation policy, but it may be said that Southern Rhodesia, owing to the demarcation of the existing large reserves, is in a much better position to deal with the matter than the Union, where the average value of land is higher and where the neglect to tackle the question in the past has led to the creation of vested rights and settled habits making any widespread application of the segregation policy more than difficult.

Before the close of the company's administration, the suggestion had been made that defined areas outside the boundaries of the native reserves should be set apart within



## The Limitations in the Constitution

which natives only should be permitted to own or rent land, the corollary of the proposition being that the remainder of the country should be set apart for the ownership and occupation of Europeans; in other words, the native in return for having assured to him in addition to the reserves, areas in which he alone could acquire land, should give up the right which he has hitherto enjoyed of acquiring and occupying land in any part of the country outside the reserves.

Having regard to the fact that comparatively little land had been thus acquired by natives and that large areas in the vicinity of the reserves were as yet unalienated or at any rate unoccupied, it was believed that a scheme of this kind could be carried out without much difficulty and would be of permanent advantage to natives and Europeans alike. The new Government taking the same view, in January 1925, by arrangement with the Imperial Government a Commission was appointed to enquire into and report upon the expediency and practicability of the scheme, and in the event of its being considered expedient and practical to report generally as to the manner in which effect should be given to it. The Commission consisted of Sir Morris Carter, Chief Justice of Tanganyika Territory, Chairman, and two experienced Rhodesian Officials, one of them being Sir Herbert Taylor, who has been for many years Chief Native Commissioner.

From their report dated November 10, 1925, it appears that the Commissioners, after hearing much evidence and visiting many parts of the country, found the scheme to be both expedient and practicable, and they accordingly proceeded to indicate areas within which early action should be taken and other areas which should be left for further consideration. Nearly all the land recommended to be set apart for native purchase adjoins native reserves and most of it is unalienated Crown land, though in some areas expropriation of land owned by Europeans is proposed. In a few cases where European holdings adjoin and form

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an entrant angle in future native purchase areas, it is proposed that the owner should be allowed to sell either to Europeans or natives, but that a holding once sold to natives should remain a native purchase area. Such areas are called semi-neutral. The Chairman and Sir Herbert Taylor further recommended that with a view to providing more land for natives, especially in certain parts of the country where there is an absence of reserves, and to avoiding the heavy expenditure attendant on expropriation of areas additional to those of which the expropriation was unanimously proposed, certain "neutral" areas should be created within which either Europeans could purchase from natives or natives from Europeans, subject to the proviso that no one should be permitted to acquire land which did not abut on land owned by someone of his own race, the inference being that in such areas the land owned by the native or by the European, as the case might be, could gradually expand or contract in accordance with the demand for it by either race. Failing approval of their proposal, the two Commissioners concerned recommended the expropriation of additional land to the extent of some 500,000 acres.\*

Up to the time of writing no announcement has been made as to the extent to which the Government will act upon the recommendations of the Commission. The Government will doubtless have to consider the cost of the expropriation involved, and to satisfy the Imperial Government, whose consent to the alteration of the Constitution will be necessary, that the interests of the natives will be adequately safeguarded and especially that the provision of the native purchase areas will afford sufficient compensation to the native for the loss of his right to acquire land outside the reserves.

It may be assumed that the matter has been discussed during the stay of the Prime Minister and two of his colleagues in London during the summer, and though

\* See the Appendix for detailed figures.

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some of the recommendations made by the Commission, such as that dealing with the "neutral" areas, may be open to criticism it can, in the writer's opinion, hardly be doubted that the adoption of the main features of the scheme would be to the advantage of both natives and Europeans, and that it would be unfortunate if the Government failed to take advantage of this opportunity of dealing effectively with the matter and thus obviating many of the difficulties which a policy of drift has caused in the Union.

### *Mineral Rights and Railways*

To return to the other important limitations of the Constitution, Clause 28 provides for the reservation of any law relating to the collection and allocation of mining revenues in force at the commencement of the Letters Patent, or any law imposing any special rate, tax or duty on minerals in or under land within the Colony. This clause and a similar clause in the Northern Rhodesia Order in Council 1924 followed on the recognition by the Imperial Government as the result of the report of the Privy Council on the question of the ownership of the unalienated land, that the mineral rights in Southern (and also Northern) Rhodesia were the property of the British South Africa Company. In the course of its administration the Company had voluntarily, with the object of promoting the development of the country, by defining the rights and obligations of persons engaged in prospecting and mining, limited to some extent its power of dealing with the minerals as it thought fit. At that time, however, the legislation of the country was under the Company's own control, and the Company was therefore in effect the judge of what limitations of its powers were desirable and permissible. This position was altered by the establishment of responsible government when the Company's

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status became that of an ordinary commercial corporation possessed of large rights and properties in the country. It was felt that in these circumstances protection was desirable against the introduction of hasty legislation, introduced perhaps as a result of party pressure, with the object of diminishing the Company's rights, and the clause above quoted throws upon the Secretary of State the duty of deciding whether any legislation affecting the Company's mineral rights which has not been passed after agreement with the Company is in accordance with the undertaking implied in the provision of the Constitution that these rights shall be respected and adequately safeguarded.

The same section of the Letters Patent provides that until legislation shall have come into force in Southern Rhodesia adopting so far as may be applicable the provisions of the English law relating to the Railway and Canal Commissioners, and to the Rates Tribunal established by the Railways Act 1921, any law dealing with railways within the Colony shall be reserved. A similar clause is contained in the Northern Rhodesia Order in Council 1924, together with a clause particularly reserving any Bill authorising the construction of any new railway line. The reason for the insertion of these clauses relating to railways is set out in the despatch of the Secretary of State (Mr. Churchill) to the High Commissioner, dated December 22, 1921. In paragraph 8 of that despatch, Mr. Churchill stated that he had no reason to anticipate, and fully accepted the assurance which he had received from the delegation of elected members of the then existing Legislative Council on this head, that the powers proposed to be given to the people under the new Constitution would be exercised in any spirit but that of complete goodwill towards enterprises which had contributed in so large a measure to the development of Rhodesia, and now played so important a part in the scheme of Imperial communications. He added, however, that he had been deeply

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impressed by two features of the situation: first, the magnitude of the investment made by the British South Africa Company in the railways, and the very heavy burden of financial obligations assumed by the Company in the guarantees which they had given to the debenture holders, and, secondly, the absence of anything like a code of railway legislation determining the relative rights of the railway proprietors and the general community. He had, therefore, decided to include in the Letters Patent the clause above quoted, which while not affecting the general right of the Colony to legislate in connection with railways in the interests of law, order and good government, would afford the Company the same measure of protection to its railway rights as exists in similar cases in the United Kingdom.

In Southern Rhodesia the question of railway rates is one of perpetual interest. Having regard to the immense distances to be traversed, to the scanty white population, and the consequently small volume of traffic, rates and fares are necessarily somewhat high. The public, having no responsibility for the capital involved, urge that a more liberal policy on the part of the Company would promote alike the development of the country and the traffic of the railways, while the Company not unnaturally points to the magnitude of its obligations as regards the debentures of the various companies owning the railway system, to the perpetually recurring need for raising fresh capital for the improvement, equipment and extension of the lines, to the certainty of future competition, and to the very exiguous divisible profits which after providing for fixed charges have been drawn from the undertaking since its inception. The position is further complicated by the fact that nearly half the system lies in territories other than Southern Rhodesia—namely, Northern Rhodesia, Portuguese East Africa, Bechuanaland and the Union, and that, as shown by the recent report of Brigadier-General Hammond, a Commissioner appointed by the

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Secretary of State at the instance of the Southern Rhodesian Government, traffic originating or terminating in Southern Rhodesia itself yields little or no profit, the really remunerative traffic being the through traffic carried at contract rates between Beira and the Belgian Congo. On the other hand, it appears from the published account of the preliminary negotiations which took place in Rhodesia last February, that the Company in no way questions the justice of the claim of the Southern Rhodesian Government to have a reasonable measure of control and is chiefly concerned to secure a fair return on its capital and reward for its enterprise, together with a margin of reserve sufficient to enable it to raise fresh capital as required for the improvement of the system, and some participation in profits resulting from possible future prosperity. It is reasonable therefore to expect that as a result of the discussions now proceeding in London an equitable agreement may be reached. The Company has much to gain by the maintenance of friendly relations with the Government, and the Government on its side will naturally consider the damage to its credit which would follow the adoption of anything like a predatory policy, while the Imperial Government, having to decide whether Southern Rhodesian legislation on the subject can be sanctioned, and being directly responsible for Northern Rhodesia and Bechuanaland, two of the territories served by the railways, must naturally be concerned to see that a fair settlement is made.

It will be seen that so far as the limitations inserted in the Constitution are concerned, no insuperable differences have arisen. There has been continuity of policy as regards native affairs, there appears to have been no friction on the question of the mineral rights, and the question of railway control should be capable of reasonable settlement. In other respects the Colony is obviously making progress. The revenue for the financial year 1925-1926 was £1,839,000, including land revenue £147,000 as against

## The Future

£1,326,000 exclusive of land revenue for the year 1922-1923, and taxation has not increased. Administration is doubtless rather more costly than it was under the Company's régime and interest charges tend to grow. Capital expenditure on public works was, however, urgently needed and the fact that one of the chief complaints made by opponents of the Government is its failure to go in for a policy of lavish expenditure is an indication that the lesson in economy learned perforce under the Company's administration has not yet been forgotten. Progress has been made in agriculture and especially in the growth of tobacco, capital is available for ranching, and a fair number of new settlers of a good type are arriving. There have been complaints as to the inadequacy of the arrangements for their reception, but this defect will doubtless be remedied and the influx is likely to be helped by the unfortunate recrudescence of racial feeling in the Union as exemplified by the controversy about the flag.

## II. THE FUTURE

FOR the time being, the question of joining the Union is dead. In Rhodesia the financial position is satisfactory, there are no racial or language controversies, while the policy of the present Union Government as regards labour and colour questions, the imposition of high protective duties and the relations of the Union to the British Empire do not find any favour with Rhodesians. Those who advocated joining the Union in 1923 may feel that the political position there would to-day have been different and that the material position of Southern Rhodesia would have been improved if General Smuts' offer had been accepted, but feeling in the Colony is now practically unanimous, and though her ultimate destiny must almost certainly be inclusion in the Union, no movement in that direction is at present within the scope of practical politics.



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On the other hand, there are indications that the idea of amalgamating with Northern Rhodesia is gaining ground. This was proposed by the Company some ten years ago but the Colonial Office, though raising no objection in principle, declined to approve of the scheme in consequence of the opposition manifested by a majority of the elected members of the Legislative Council. Some of the then chief opponents, including the Prime Minister, are now members of the Government, and would appear to have changed their views. It has been stated that the question would be discussed with the Colonial Office during the visit of the Prime Minister to London, and as it appears that a member of the Legislative Assembly of Southern Rhodesia will attend the second annual conference of unofficial representatives of the East African territories,\* which is to be held at Livingstone, Northern Rhodesia, next month, it is possible that more may be heard of the subject. Whether, however, the people of Northern Rhodesia, whose financial position and prospects have of late been greatly improved by the expansion of markets in the Belgian Congo, and by mineral developments in their own territory, would welcome a scheme by which either the whole territory or North West Rhodesia (Barotseland being excluded in either case) would be amalgamated with Southern Rhodesia seems more than doubtful. On the whole, therefore, it is probable that for a number of years to come Southern Rhodesia will be left to manage her own particular affairs. The result of the census taken this year showing a white population of some 39,000 was certainly disappointing, but there is, of course, no reason why in a country so highly mineralised, important discoveries, either of gold or base metals, should not be made at any moment, and in any case as the possibilities of tobacco growing (greatly helped by the stabilising of the British preference) become better known, and the quality

\* The first Conference was held in October 1925 at Tukuyu, Tanganyika.

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of the cattle raised improves, the farming population should steadily increase.

In such a small community satisfactory lines of political cleavage are not easy to find, and though such an overwhelming majority in the House of Assembly as the Government now commands is not an unmixed blessing, the party divisions of the future are difficult to foresee. It is somewhat unfortunate that in the existing Assembly a number of men whose capacity and experience would be of value, but who did not happen to belong to the Responsible Government party, have found no place. This, however, is obviously a temporary difficulty which, as the Union issue is no longer before the country, may right itself at the next general election.

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## APPENDIX

The following schedule submitted to the Southern Rhodesian Land Commission, 1925, and embodied in its Report, compares the existing position in Southern Rhodesia with the figures for the Union shown in the Native Lands Commission's Report, 1916.

			Acres.	Native population therein.
Area	..	..		
		Four Union provinces	302,658,782	4,417,665
		Southern Rhodesia ..	96,226,560	813,947
Native reserves or locations		Union .. ..	23,630,077	1,929,604
		Southern Rhodesia ..	21,594,957	516,335
Mission lands and reserves		Union .. ..	1,139,423	94,662
		Southern Rhodesia ..	406,200	Not given
Native-owned farms		Union .. ..	2,120,855	123,648
		Southern Rhodesia ..	44,521	Not given
European lands (excluding urban areas)		Union .. ..	232,541,429	1,611,495
		Southern Rhodesia ..	31,033,050	150,650
Crown lands (not reserved for special purposes)		Union .. ..	21,374,776	121,105
		Southern Rhodesia ..	42,774,799	122,088
Crown lands (reserved for some particular purpose)		Union .. ..	18,118,474	—
		Southern Rhodesia ..	224,000	—
Urban areas	..	Union .. ..	3,733,743	537,151
		Southern Rhodesia ..	149,033	24,874
Recommended native areas (include reserves)		Union .. ..	38,784,848	In respect to whole territory.
		Southern Rhodesia ..	28,527,162	In respect to 78,433,260 acres of the territory.

Under the proposals of the Rhodesian Commission the total area of Southern Rhodesia, 96,226,560 acres, would be divided up as follows:—

For future determination.	17,793,300	Native Purchase Areas	6,851,876
Native Reserves ..	21,594,957	Semi-Neutral Areas..	80,329
Matopo National Park	224,000	Land alienated to Europeans ..	31,033,050
Urban Areas ..	149,033	Land still available for Europeans ..	17,423,815
Forest Area .. ..	670,000		

The neutral areas recommended by the Chairman and Sir H. Taylor amount to 1,099,870 acres, and their suggested two additional Native Purchase areas to 117,400 acres.

The above proposals would make the European areas approximately 62 per cent. of the total area dealt with and native areas 37 per cent.

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### I. PARTY CHANGES

FOR over a year now the outstanding features of Indian politics have been the slow but inevitable disruption of the Swaraj party and the rising tide of Hindu-Mahomedan antagonism. The latter feature has long been sufficiently obvious to all who take even a perfunctory interest in Indian affairs, but it needed the definite stand of the so-called "Responsive Co-operators," in the last quarter of last year, against proceeding further with Pandit Motilal Nehru along the ancient ways of non-co-operation tempered with political opportunism, to make clear, even to Indian students of politics, that the Swaraj party, as founded by Messrs. Das and Nehru at the beginning of 1923, had served its turn and was now ripe for the museum of political antiquities.

Responsive co-operation is a term invented by the late Indian Nationalist leader, Mr. B. G. Tilak, and it means simply co-operation with the Government of Indian politicians, no matter how extremely Nationalist the latter's political views may be, when, and only when, the actions or proposals of the Government are clearly seen to be calculated to promote the welfare of India. This is a doctrine fundamentally different from that of automatic obstruction to all the doings of Government, which was the doctrine of the Swarajists when they entered the legislatures after the elections of 1923. Readers of the March

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number of THE ROUND TABLE\* will remember the description there of the slow drift of the Swaraj party away from this extreme position, and also the examples given of their participation, partly under the stress of circumstances, and partly under the duress of opinion in the country, in various Government measures. In fact, the basic ideas of responsive co-operation had found, between the end of 1923 and the end of 1925, increasing popularity in India, and therefore some of the Swarajist leaders wished to identify themselves with this changed state of feeling, to acknowledge quite frankly the ineffectiveness of the past policy of their party, and to claim for themselves, and to occupy, offices and places of influence and power from which they could play their part in controlling the Government machine. Pandit Motilal Nehru, however, preferred to stand in the old ways. In this decision he was influenced partly, no doubt, by certain extremists in his own party, and also by a natural dislike to having the party's policy dictated by, and himself forced to follow in the wake of, men whom he had hitherto regarded as followers and lieutenants. He had hoped that the Cawnpur meeting of the National Congress last December would overawe the Responsivists and bring them again under the discipline of the Swaraj party, but the net result of the meeting was to confirm their belief in the necessity and efficacy of their policy, whilst the main resolution which the Congress passed at Pandit Motilal Nehru's instance opened a breach between the Responsivists and the die-hard Swarajists which clearly could not be closed again unless one of the two sections abandoned its position completely and unconditionally. In effect, this resolution implied a return to that policy of complete non-co-operation which had been specifically dropped when the Swaraj party came into existence, for it involved a programme of civil disobedience all over India, and a boycott of the reformed legislatures, both central and provincial, unless the Indian Government, within a few

\* THE ROUND TABLE, No. 62, March 1926, pp. 320-325.

## Party Changes

weeks, complied with the terms of a resolution which had been accepted by the Indian Legislative Assembly in February 1924, claiming complete responsible government forthwith. Of course, the Cawnpur resolution was utterly futile. Mr. Gandhi, at the height of his influence, when the non-co-operation and Khilafat agitations were in full swing, and the temporary Hindu-Mahomedan *entente* of those days showed something like a united front to the Government, could not induce the specially prepared inhabitants of one small part of one district to resort to civil disobedience. How, then, could Pandit Motilal Nehru, with not a tithe of his influence, and working in vastly less favourable circumstances for his purpose, bring about civil disobedience all over India? The other part of the resolution, that relating to the boycott of the legislatures, was an amazingly frank confession that the Swarajist policy of "wrecking the Reforms from within" had failed completely, and it gave the Responsive Co-operators the most potent argument which they could possibly adduce in proof of the necessity of trying their policy of working the Reforms and using them to the full for the political advancement of India.

Thus, the Indian National Congress of 1925 showed the Swarajists as political bankrupts and, naturally, the leaders of the other political parties in India, the Moderates and Independents, began to examine the possibilities of uniting their parties and the Responsive Co-operators in one all-embracing National party. Certainly the time is ripe for the formation of such a party, for no essential differences can be perceived in the ultimate objects of the three groups, or even in their political tactics.

Attempts to form such a party in India have been made on previous occasions since the inauguration of the Reforms, but the state of feeling in the country, particularly as shown in the support accorded to the ideals of non-co-operation and, later, of the Swarajists had prevented these attempts from coming to fruition. But now that the futility of

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these ideals had been demonstrated by the course of actual events, the desire for a definite union in one party of all shades of political opinion save the most extreme seemed to spring up spontaneously, and even before the Cawnpur Congress a meeting of the Indian Liberal Federation had shown how artificial are the lines which at present divide Liberals from Independents and both from Responsive Co-operators. The approaching session of the central legislature put a stop, for a time, to further efforts to form a grand National party, for of course much depended on the action of the Swarajists during the session and the fulfilment or otherwise of the Cawnpur resolution. It was still possible, although not very likely, that the Swarajist leader and the Responsivists would come to terms by one side or other surrendering on fundamental points at issue, and until this possibility had been ruled out the political situation remained too unstable to allow the foundations of the new party to be laid. But as the session progressed it appeared more and more probable that Pandit Motilal Nehru meant to carry out that part of the Cawnpur resolution which related to the boycotting of the legislatures, and probability became certainty when, two days before the date fixed for the beginning of the discussion on the detailed budget demands, the All-India Congress Committee met in the new Imperial capital and confirmed the resolution. Accordingly, the Swarajists took no part in the budget discussion, and on March 8 Pandit Motilal Nehru and his followers walked out of the Assembly after the Pandit had made a short speech declaring that he and his party had tried to co-operate with the Government and warning the latter that its failure to respond adequately to this co-operation would fill India with discontent. Swarajists in the Council of State and the Provincial Councils also walked out.

A fortnight later the Delhi session ended, but even within that short period it had become quite clear that the walk-out had produced no effect in the country. It was a complete and unredeemed fiasco and was a proof—if any



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further proofs were needed—that the constituencies are tired of mere play-acting and now want work and tangible results from their representatives in the legislatures. The defection of certain important members of the Swaraj party followed immediately, the determination of the leaders of other parties to form a united Opposition to the Government was strengthened by the fiasco, and efforts were at once set on foot to achieve the unity desired. On April 3 a large meeting attended by considerably more than a hundred well-known politicians from every part of India took place at Bombay. Moderates, Independents and Responsivists were all strongly represented, and after two days of important discussions the meeting ended in the formation of an Indian National party

to prepare for and accelerate the establishment of Swaraj or full responsible government in India, such as obtains in the self-governing Dominions of the British Empire, with due provision for the protection of the rights and interests of minorities and the backward and depressed classes.

Naturally it had not been easy to find a formula acceptable to all the members of the different schools of thought represented at the meeting, and both the right wing, represented by the Moderates, and the left wing, represented by the Responsive Co-operators, had been obliged to concede something in order to make the above agreement possible. Among the concessions made by the Moderates was their adhesion to the promotion of individual or group resistance to authority for specific objects in particular localities on particular occasions. On the other hand, the Responsive Co-operators agreed to abandon civil disobedience and non-payment of taxes as a political weapon. The new Nationalist party therefore agreed to work the existing Constitution, to accept offices and to take the fullest advantage of the opportunities afforded by the 1919 Act to bring about as quickly as possible a set of circumstances which would necessitate further constitutional changes of the kind

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desired by the majority of the classes in India who take an interest in politics.

Pandit Motilal Nehru at first affected to despise the new party, but he clearly realised that without the Responsivists and those Swarajists who had left him after the fiasco of March 8 his party would be neither very strong numerically nor particularly respectable. He therefore determined to make another effort to come to an arrangement with the Responsivists, and to this end spoke of them in flattering terms at a meeting which he held in Lahore about a week after the Bombay meeting. He also resumed negotiations with them, which resulted in a decision to hold a joint meeting of Responsivists and die-hard Swarajists on April 21 at Sabarmati, a suburb of Ahmedabad in the Bombay Presidency. This meeting was well attended. The main topic of discussion, of course, was the Cawnpur resolution, and the agreement which was reached at this first Sabarmati meeting represented a complete triumph for the Responsivists. For it was agreed that the response to be made by the Indian Government to the Legislative Assembly's resolution of February 1924 should be considered to be satisfactory in the provinces "if the power, responsibility and initiative necessary for the effective discharge of their duties are secured to Ministers." The Swarajist members of the Legislative Councils of the provinces concerned were to judge whether this condition had been fulfilled, and their judgment would then be confirmed by a committee consisting of Pandit Motilal Nehru and Mr. Jayakar, one of the Responsivist leaders. This agreement, of course, was hopelessly vague and was obviously meant to be so. It is not surprising, therefore, that it was interpreted in a number of widely different senses. It was besides denounced by several well-known Swarajists, who resented the surrender to the Responsivists which the agreement apparently implied. Pandit Motilal Nehru took pains to deny that he had changed his policy in order to win back the Responsivists to his party, and in one of

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his explanations of the Sabarmati pact he laid down there conditions for its ratification which, in effect, demanded the complete independence of provincial Ministers from control by the executive Government. Such meaning as can be gleaned from the words of the original pact is one which could not, by any stretch of the imagination, fit in with the Pandit's three conditions, and very soon it became clear that the pact would have to be defined and agreed to all over again. A meeting of the All-India Congress Committee had been arranged for the beginning of May to confirm the pact, but of course the storm of controversy which had swept the Press since the Sabarmati meeting of April 21 had put any merely automatic confirmation out of the question. And when, before the meeting of the Congress Committee, a draft of the Sabarmati pact, issued by Pandit Motilal Nehru, was stigmatised by Mr. Jayakar as a travesty of the original pact, all chances of agreement between Responsivists and Swarajists completely disappeared, and the cleavage between them became to all appearances wider than ever. Thus, the Indian National Congress is left in the hands of a small and dwindling band of extreme Swarajists and at present cannot reasonably claim to be either Indian or national.

Such have been the broad movements of Indian politics during the past six months. The break up of the old Swaraj party has become an accomplished fact, and at the moment of writing the All-India National party is in being, vague and indeterminate though its bounds, its platform and its composition may be. The next elections to the Legislative Assembly and the provincial Legislative Councils will test its vitality and solidarity. But inevitably, as one thinks of the elections, the question which forces itself insistently on the mind is this—will any label influence the electors except the communal label, and will not candidates be elected according to the strength of their communal bias and not according to their Swarajist or National party affiliations? For, at the moment of writing, India lies

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under the shadow of communal antagonism which, after growing steadily in intensity for four years, has now culminated in an orgy of riot, murder, arson and loot of which the end cannot yet be seen.

### II. THE HINDU-MAHOMEDAN PROBLEM

**I**T is a melancholy task to review the communal outbreaks of the past three months, yet it is one which must be faithfully performed if readers outside India are to understand the appalling gravity of the present state of Hindu-Mahomedan relations which now engrosses attention in this country and is the outstanding feature of public life.

It is not necessary to detail here the minor incidents of the first three months of 1926. It was obvious during that time that the strain on Hindu-Mahomedan relations was growing steadily, but neither officials nor non-officials expected it to result in the appalling tragedy of the Calcutta riots, which began in the first days of April, died down within a week, and then broke out again more fiercely than ever on April 22 and lasted till the end of the month.

The first phase of the riots started with a quarrel between some Mahomedans and the members of an Arya-Samajist procession. Normally the trouble would have ended with the dispersal of the rioters and the arrest of the ring-leaders, but in the existing state of communal feeling this affair proved to be a spark in a powder magazine. At once Hindus and Mahomedans attacked each other over large areas of Calcutta, and on April 5 the police found themselves faced by a determined mob on which they had to fire. This, however, was the only occasion during the first stage of the riots when the police came into collision with a large mob, but sporadic outrages multiplied and street fighting between small groups was continuous until about April 7 or 8, when the police managed to restore order.

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Some fifty persons were killed on both sides during these few days and probably not less than five hundred were wounded. A dangerous situation was caused by the occurrence of a Hindu festival on the 13th of the month and the Mahomedan festival of the Id on the 14th. However, owing largely to extraordinary exertions by the police, the peace was kept during these two critical days, and public confidence was gradually returning when an obscure street fracas between one or two Hindus and Mahomedans started the trouble all over again. This second phase of the riots was more serious than the first, since it lasted over a longer time, was responsible for a greater number of deaths, caused a partial breakdown of certain municipal services essential to public health and comfort, and also seriously hindered business operations. For six days fighting continued between individuals or small gangs of the two hostile communities, and on at least a dozen occasions the police had to resort to the use of firearms to disperse crowds. However, the deputation of a number of British soldiers to act as police sergeants and organised police raids in the disturbed areas, combined with the free arrest of hooligans and the seizure of weapons, brought the situation under control and normal conditions had been restored by the beginning of May. But within the two short periods of disturbance over a hundred persons had been killed, and probably not far short of one thousand had been more or less seriously injured. A particularly disquieting feature of the first phase of the rioting was the desecration of mosques and temples, whilst the large number of isolated assassinations and murderous assaults during both the earlier and later outbreaks, and the distribution of inflammatory handbills, induced a common belief that there were money and organisation behind the riots.

These deplorable events naturally violently affected the public all over India, and caused immediate and immense deterioration in the communal situation. It was unfortunate that the Khilafat Committee and the Hindu

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*Mahasabha* had arranged to hold meetings on May 8 and 10 respectively, for in the circumstances it would have been almost more than human behaviour had the delegates to these meetings not adopted a strongly communal attitude towards the Calcutta riots and the prevailing state of tension. For the first time since its birth, the Khilafat Committee decided that its chief duty was towards Mahomedans inside rather than outside India. Resolutions passed at the meeting of May 8 related to the promotion of the welfare of Indian Mahomedans in all their varied activities, and to measures for protecting individuals, including the conduct of law-suits on their behalf. The Hindu *Mahasabha* strongly condemned the attacks made by Mahomedans on the persons, property and places of worship of Hindus, and attributed the Calcutta riots to the provocative conduct of certain Mahomedan leaders. Obviously, neither of these meetings was calculated to improve the state of affairs. Already the situation was tense in such great cities as Delhi, Allahabad, Lucknow, and in various other places in the Punjab, the Bombay Presidency and the Central Provinces. Throughout a great part of Bengal swept a wave of mosque and temple desecration and iconoclasm which kept communal feeling in the provinces dangerously inflamed, and from end to end of the country the Press of the two communities broke into mutual recriminations and accusations. In numerous places an immense strain was thrown on to the authorities, but no important breach of the peace occurred until the night between June 14 and 15, when a fierce affray took place at Rawalpindi between Mahomedans on the one side and Sikhs and Hindus on the other. As in Calcutta, the immediate cause of the riot was the passage of a procession with bands playing in front of a mosque on June 13. The procession in this instance was composed of Sikhs, and the resentment felt by Mahomedans at their refusal to stop their music while passing the mosque broke out the next night in a number of incendiary fires and isolated attacks on individuals. No

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hostile crowds came into contact, and the police and some British infantry restored order before morning. But fourteen persons had been killed and about fifty injured during this short space of time, whilst very extensive damage had been done by fire to stocks of grain and private property. That no rioters were killed or wounded by the police or military during the speedy restoration of order speaks very highly for the skill and moderation with which they were handled.

A very disquieting incident arose out of the Rawalpindi riot. This was an attack on a village called Saidpur, in the Rawalpindi district, by a large band of Mahomedans, estimated at 300 strong, who killed two Hindus and did much damage to Hindu property in the village. But, here again, the police acted promptly and the menacing incident was not repeated.

The Rawalpindi riot fell at a bad time, for just a week later, on June 22, the great Mahomedan festival of the *Baqrah Id* was due. *Baqrah Id* means literally "cow festival" and is the time when Mahomedans sacrifice animals, preferably cows, as part of a great religious festival. It is impossible for any European to appreciate the strength of Hindu feeling on the subject of cow slaughter, but it is certain that to Hindus it is a gross act of sacrilege, and is as bitterly resented by them as a blasphemous travesty of one of the Holy Sacraments would be resented by a deeply religious Christian. Thus, even in normal times, the *Baqrah Id* is full of the possibilities of trouble between Hindus and Mahomedans, and this year, of course, these possibilities were immensely magnified. The dangers of large scale communal rioting were most serious in Delhi and Allahabad, and in both these places extraordinary precautions were taken by the authorities to prevent an outbreak. Elsewhere, too, wherever there was a likelihood of trouble, the authorities put forth their utmost efforts to keep the peace, and, in the result, the Id was almost free of untoward incident, and no very serious clashes occurred.



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The actual days of the Id passed at Delhi without trouble (except, indeed, to the police and soldiers who were on duty night and day in the fierce heat), but on the morning of the 24th a rumour spread that some sacrificial cows were being taken along a certain route. At once excited crowds gathered, but were kept in check and pacified by the police. As the crowd was dispersing, a horse took fright and bolted, knocking a man down. The hubbub which ensued gave the impression that a riot had started, and Hindus and Mahomedans thereupon went for each other with sticks and stones. Again the authorities speedily restored order, but not before two men had been killed and about forty injured.

At Allahabad also the actual days of the Id passed off peacefully, but news of a communal riot in a village a few miles away gave rise to high feeling, and on June 24 various obscure quarrels developed into a series of sporadic outbreaks in which one man was killed and about a score wounded. The overt trouble was ended by the wholesale arrest of hooligans, but the disturbed state of the city has necessitated the imposition of extra police for the period of one year.

Elsewhere during the days of the Id there were a number of communal riots, but there is no need to detail them all here. It suffices to say that practically nowhere were the authorities free from anxiety, and a peculiarly unhappy feature of the present situation is that riots have occurred and communal tension is now acute even in the villages which hitherto have been mostly free from such manifestations. As these words are written, in the first week of July, a fierce riot is proceeding in the important town of Pabna and its neighbourhood in Bengal. No reliable statement of the casualties is yet to hand, but the affair is apparently one of major importance. And from other towns and villages come reports of strained relations and possible riots. Communal trouble hangs over India like a black cloud, none knowing where it is going to break next.

What is the reason for these widespread and murderous

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outbreaks of communal hatred ? Certain religious, social, economic and political causes of difference between the two communities are on the surface and are well known and widely recognised. They are not essentially different from what they were a year ago, or two or three years ago. Why, then, should the old antagonism assume such appalling proportions at this time ? We may probably dismiss the idea that these riots are due to any regular organisation, even where, as at Calcutta, they last for several days and are accompanied by the distribution of inflammatory leaflets. There are always bigots on both sides who rejoice in injuring those who belong to a different religion, and, of course, the hooligan elements profit by the continuance of disorder. Indiscreet utterances by leading men and by newspapers may inflame feeling and accentuate the circumstances which favour communal friction, but the writer believes it is quite wrong to say that any man of standing on either side has deliberately tried to provoke any of the troubles which have occurred during the past three months. Everywhere in India the nerves of the two communities are on edge and feeling is inflamed. Every clash which occurs makes nerves still more jumpy and increases passion. Thus the most ordinary actions, like the playing of music by Hindus within sound of a mosque, or a common dispute between a Hindu shopkeeper and a Mahomedan customer, is now sufficient to precipitate a brawl which spreads into a series of outrages on individuals over a greater or lesser area, and, flashed all over India by the telegraph, is magnified by the prevailing state of tension, and produces repercussions and further troubles in the most remote parts of the country. The strain on the authorities is great, but they are bearing it splendidly ; and when the prevailing passions ebb and the relations between Hindus and Mahomedans become once more normal, it will have to be realised that if wide areas of India have been saved from the horrors of anarchy and slaughter, it is to the devoted labours of district officers, policemen and soldiers that this result is due.

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### III. SOME REFLECTIONS

SUCH is the narrative of surface events in India since the beginning of this year. For the present, extreme opinions in politics seem to be in disfavour, and once again it may be hoped that the new Constitution has a chance of being worked something after the manner in which its creators hoped that it would be worked. An All-India National party is at any rate in the first stage of formation and its members are pledged, on the whole, to methods of constitutional opposition to and co-operation with the Government. So far, good ! But, on the other hand, India is torn by the fratricidal strife of her two greatest communities, and where sagacious leaders would unite, the masses would divide, would nourish hatred for their neighbours, and seize sectarian benefits rather than national good. The November elections will, unless present indications are belied, provide the battleground for the opposing ideals of national unity and particularist interests. One is tempted to prophesy, but India has the habit of making prophets look foolish. Therefore, one can only hope that within the next four months communal antagonism will have so far decreased that those who would unite their forces in order to work together for India's welfare, as they conceive and desire it, will be able to have a straight fight with that party which would destroy the Constitution. For, if the elections are fought on a communal basis, that is, if in the Mahomedan and non-Mahomedan constituencies candidates are elected, not because they are of the National or of the Swarajist party, but because of the strength of their communal bias, then it is difficult to see what case for further constitutional advance India's spokesmen are going to be able to put before the Royal Commission of 1929. It is easier to be pessimistic than hopeful when one is discussing the Hindu-Mahomedan problem in India, and the writer has tried

## Some Reflections

to avoid gloomy prognostications throughout. Yet it must be borne in mind that Hindu-Mahomedan antagonism differs fundamentally from the causes of the two great storms which swept India in the years after 1919—the non-co-operation and the Khilafat movements. For those arose out of temporary circumstances and temporary influences, some of which were not peculiar to India, and as these circumstances and influences waned, so did the movements to which they gave rise. But the antagonism between Hindus and Mahomedans has its roots deep in history and in religious, social, political and economic causes, and hitherto the progress of events since 1921 has appeared only to sharpen the antagonism and extend it to more points of contact. This does not mean that the problem of uniting Hindus and Mahomedans into one nation is insoluble, but it does mean that it will not be solved by the mere efflux of time, or by pacts between groups of either communities, however influential or representative these groups may be, or by concessions or surrenders on the one side or the other. At some time or other, and the sooner the better, Hindus and Mahomedans have got to begin to work together on local self-governing units and in the provincial and central legislatures, to achieve practical results in programmes designed to benefit both communities. Of pious resolutions, verbal declarations and mere expressions of hope we have had far too many during recent years. The only hope of an enduring improvement in communal relations in India lies in common work for the common good, and such work is ready to the hand in the central and provincial legislatures, in municipalities, district boards and village *panchayats*. Vastly the greater part of this work will be obscure, will be dull routine and will not raise those who do it to fame or places of power. But it will be “nation-building” work in a very real sense, and perhaps the greatest justification of the Reformed Constitution is to be found in the opportunities and the power which it provides for such work to be done.

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### IV. THE DELHI SESSION OF 1926 AND THE FINANCIAL SITUATION

IT is a relief to turn from this sombre topic to a discussion of one or two features of the Delhi session of the Indian Legislature. Nothing like a complete account of the session will be attempted here, for that deserves a whole article to itself. The work of the central legislature during this year may be more fitly appraised after the end of the Simla session which opens on August 17, when, too, the time will have come to review the whole momentous history of the second Legislative Assembly which expires this year. If there was something disappointing, there was also much that was encouraging in the events of the recent session at Delhi. Some valuable legislation was achieved; in particular, the Indian Trade Union Bill, which will promote the healthy growth of the trade union movement in this country, was passed into law, the formation of the Royal Commission on Indian agriculture was announced, as also was the decision to take the first step towards the creation of a Royal Indian navy, which will have the privilege of flying the White Ensign. These and other things are of immense interest and importance; but they must be passed by for the present and one or two of the more important points in connection with Indian finance discussed instead.

It is unfortunate that interest in Indian affairs tends to centre chiefly in exciting happenings in this country and in the more spectacular side of merely political events, in riots and natural catastrophes, for example, in the behaviour of the Swarajists in the Assembly, or in a clash between the Government and the Opposition over a resolution for the immediate grant of responsible government in India. All these things have their importance as well as their interest, but they obscure much that is of more vital concern for the political and economic future of India and the welfare of her people.

## The Delhi Session of 1926

If, therefore, those who purvey Indian news to the public, both in this country and elsewhere, had concentrated their attention on the most vital developments of the past few years, it is possible that the greater part of their news would have been concerned with the revolution which has taken place in Indian finance during that period. Revolution is a strong word to use, for, as applied to affairs of State, it means something more than the normal changes which the passage of time naturally effects. It implies an effort, even a violent effort, to accelerate the stately turn of the wheel of events, or even to set it spinning in another direction. The change in the state of Indian finances which has been completed during the past three years is, therefore, correctly described as a revolution. For it is the result of wise and determined effort directed towards turning the course of events, which was moving towards the gravest financial embarrassment for India, and setting it in exactly the opposite direction, where financial stability and surpluses are to be found.

When introducing his first budget on March 1, 1923, Sir Basil Blackett used these words: "For five years in succession India has had a deficit. The accumulated total of these deficits amounts to no less than 100 crores\* (of rupees). . . . Moreover, besides the deficit of the central Government, the recurring deficits of the provincial Governments and of many local bodies throughout India must not be forgotten." He dealt adequately with the evil consequences of this rake's progress, and thus early in his connection with India's finances he showed himself in the rôle of a skilled physician, ready to treat his patient's disorder, and determined to use the sharp instrument of taxation if his diagnosis showed it to be necessary. After discussing ways and means and revenue and expenditure for 1923-24, he said:

Our conclusion, therefore, is that we must ask for some increase in taxation. . . . It was a great disappointment to me that new taxation is needed at all. . . . The credit of India is in jeopardy. It is already

\* A crore is ten million.

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under the cloud of the deficits of the last five years. But India's financial record has been so good for decades preceding these five years, that hitherto the damage is not irreparable. The world has trust in India's record and has felt sure that the era of deficits could only be a passing phase. It is our duty to-day to justify that trust. . . .

Such was the state of affairs at the beginning of 1923. What is the picture drawn by Sir Basil Blackett three years later, in March, 1926? Its chief features are a surplus of revenue over expenditure, large economies effected, particularly in military expenditure, and great improvements in financial machinery, whilst the background against which these features are seen is a general financial position the strength of which can be gauged from the progressively falling rate of interest at which the Indian Government loans have been taken up. In 1922 the Government borrowed at the rate of 6 per cent., tax free. In 1925 their conversion issues were offered at 5 per cent., tax free, or  $5\frac{1}{2}$  per cent., subject to tax, whilst the rupee loan issued at the end of May this year was offered on a basis of  $4\frac{1}{4}$  per cent., tax free, or  $4\frac{3}{4}$  per cent., subject to tax. This year is the third year in succession in which the issue of an external loan has been avoided, and of the total amount of the recently issued rupee loan—22 crores—only two crores represents new money, which is less than the amount needed to pay off external debt in London. The remaining twenty crores will be for the renewal of the bonds maturing next September. Again, during 1925-26, instead of borrowing over 7 crores net in the market, as anticipated in the budget statement, the Government of India have discharged two crores net of market debt in India, and have paid off 5·7 crores of market and other debt in England. In addition to this, they have financed during the year ending March 31, 1926, new capital expenditure amounting to thirty crores without recourse to market borrowing. During the year 1925-26 unproductive debt decreased by 23·82, and now the whole of India's rupee debt and more than half of her sterling debt is productive.



## The Delhi Session of 1926

At the end of the speech in which he introduced the Indian budget for 1926-27, on March 1 this year, Sir Basil Blackett said: "I ask those who profess unending dissatisfaction with the Reforms and denounce them as a sham, and the Government as insincere and unresponsive, does the financial story of these three short years justify depression and despondency?" To this question every unbiased observer will return an emphatic negative.

The amazing betterment of Indian finances recorded above, like most other great achievements, owes something to luck—in this case a series of good monsoons—but infinitely more to skill, determination and clear thinking. During the past three years the financial machinery of India has been overhauled and immensely improved. Undoubtedly the greatest improvement has been the separation of railway finance from general finance, to which the Legislature gave its consent during the Simla session of 1924. Previously, the annual allotments for railway expenditure were determined by the state of the general finances, not by railway requirements. The main evils of such an arrangement are at once apparent—namely, the introduction of an element of uncertainty into the finances of the country, and the impossibility of planning and carrying through a consistent scheme of railway development, since railways could not be financed as a business undertaking. The committee under Sir William Acworth, which carried out a thorough investigation of the Indian railway system during the winter of 1920-21, pointed out these defects and, after considerable discussion of the Committee's report, a scheme was devised whereby the Indian railways should, on the one hand, make an ascertained annual contribution to the general revenues, and, on the other, should have the advantages of their own budget. The details of this settlement need not concern us here. They were fully thrashed out in the Indian Legislature, which at first viewed them with suspicion, as calculated to impair the degree of control which it

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exercised over the railways. However, as we have seen, the arrangement was sanctioned, and now the Indian taxpayer is assured of a steady—and continually growing—contribution in relief of taxation from his investment in railways; the Railway Board is able to plan comprehensive schemes of development, knowing that the money necessary to carry them through will be forthcoming; and the Indian Government find their problem of maintaining a continuous financial policy greatly simplified.

But there have been other improvements in the financial machinery second in importance only to the above, among them being provision for the reduction and avoidance of debt, and for sinking fund arrangements. Briefly, the present scheme provides that, for five years in the first instance from the end of 1924, the annual provision for reduction or avoidance of debt to be charged against annual revenue is fixed at four crores of rupees a year, plus one-eightieth of the excess of the debt outstanding on March 31, 1923. Since this arrangement came into force ample evidence has been received that it has strengthened the confidence of investors, both in India and abroad, in the soundness of the Government of India's financial position, and in the attractiveness of its loans. We have already seen how much more cheaply the Government of India can now borrow money as compared with the recent past, and it needs but a slight mental effort to perceive the part played by the sinking fund arrangements in this beneficial development.

Again, various changes have been made in the demands for grants, all designed to simplify business and at the same time to enable the members of the Legislature to understand more clearly the exact significance of the financial transactions which come under their review. Territorial grants have been arranged on a more logical basis, and various large items, including all expenditure on stores, have been removed from the High Commissioner's grant and included in the various departmental grants. The

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latter arrangement is connected with an Act passed in 1924, which made Government stores imported from abroad liable to customs duties, with a view to encouraging the purchase of stores in India. For this purpose, of course, it is necessary that spending departments should take the customs duty into account in considering the comparative cost of goods imported from outside and of goods bought in India. The effect of including the cost of stores along with customs duty in the departmental grant is to make the comparison real and to enable departments to utilise their grants for purchases in India. Again, the total number of grants has been largely increased and each department of the Government of India now has a separate grant in place of the old single grant for "General Administration," a change which makes for more effective review and criticism by the Legislature.

Lastly, a few words about the Public Accounts Committee must close this discussion of Indian financial affairs for the present. This committee is modelled on the corresponding committee of Parliament, and its functions are of great and increasing importance. It is the Legislature's own committee; it can examine everything connected with the public accounts, and act as the watch-dog of the public interest. Through it the Legislature can be taught the methods of Parliamentary control, and can make suggestions for technical improvements in the form and keeping of public accounts. Some of the changes in demands for grants which have just been described were recommended by this committee, and various similar examples of its useful work could be quoted.

India. July 15, 1926.

## GREAT BRITAIN : THE COAL PROBLEM

THE coal stoppage of 1926 may well prove to have been, at present values, the most expensive episode of industrial warfare in British history. One distinction, in any case, it should retain without difficulty. We are never likely to see a quieter, drearier, or more exasperating exposition of the futility of force applied to economics. A fair mind cannot make the miners wholly or even mainly responsible for the beginning of the trouble. The owners have never contributed to a settlement more than the reluctant minimum. The Government is not free from reproach any more than the principal parties. If, however, the others have made mistakes the men's leaders have more than matched them. With every week of the struggle their responsibility has grown heavier. The root cause of it, by universal consent, was economic. The coal trade came to a standstill because, at the level of costs prevailing, it could not continue. The owners and the Government have had proposals to make, however incomplete and inadequate, towards meeting the economic difficulty. The miners have had none. In effect they went on strike for a subsidy. In economics the policy was bad. As a matter of tactics it was, if possible, worse. The defeat of the General Strike settled the subsidy question. After that, every week of the stoppage, eating more deeply into the wealth of the country, made it more and more difficult for the Government to grant a subsidy, even if it had been weak enough

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to wish to grant it. To continue the strike without a shade of variation in the "slogan" and without a single constructive move was neither magnificent nor war. It was the dulllest suicide. Other Labour leaders have not troubled to conceal their contempt for the incompetence of the generalship under which the miners have suffered three months of unemployment, loss of savings, and some privation for the ultimate certainty of defeat.

Mr. Cook, Secretary of the Miners' Federation and the moving spirit in its policy, claimed only to be the mouth-piece of his delegates. But the delegates, when they committed him and themselves to the programme of "not a cent off the pay, not a minute on the day," or, in other words, to the demand for a continuance of the subsidy, were assembled before the General Strike. In the position in which the Government had placed them by asking their formal assent to wage reductions before decisions had been taken in detail on the Report, they had an assurance of help, firm rather than eager, from the Trades Union Congress. The General Strike broke down on May 12. A new conference of miners' delegates was not summoned until July 30. Mr. Cook acted on instructions, as he said. A trade union must be in hard case indeed when leaders in favour of an extreme policy cannot obtain support for it. But its practical lot will not be happy if it lacks leaders capable of steering it back to compromise with reasonable speed as soon as extremism has been shown to be devoid of results. Other unions, the railway-men's unions, for example, have had such leadership. The miners have not. More than three months had to pass before the rank and file were asked or encouraged to authorise a change of front to meet a position that had been hopeless from the first and had not changed except to become more hopeless.

There are facts to explain, rather than defend, this forcible-feeble strategy. It appears to be the experience of all industrial countries that mining disputes have to

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exhaust more obduracy before they reach reason than any other kind. The influence of public opinion filters through slowly. There is a long tradition of hard fighting on either side of the industry. The nature of the work groups the miners and their families apart—a community within a community. Together they represent, in Great Britain, one-twelfth of the nation. Their preponderant numbers have always assured them power and the sense of power in the councils of trade unionism, and they have never been patient of advice from Labour colleagues. When they cease work, it is in the knowledge that they cannot be “blacklegged.” We have seen what volunteer labour can do to keep railways and power stations going. No one suggested trying it in the mines. All these things make a strong foundation for the famous loyalty of the miners, itself expressing pride of calling and comradeship in a “mystery” of peculiar character and special risks, by no means without the heroic element in its history. Nowhere in industry is the appeal to the workers to come out and stay out likely to meet with a completer or more dogged answer, irrespective of the chances of success. In this dispute it was replied to with more than ordinary determination in certain districts. Scotland, Durham, Northumberland and South Wales drew heavily on the subsidy while it lasted and had the most to fear from a nearer acquaintance with the present aspect of economic truth. But even in other districts, where the difference between the subsidised and the unsubsidised wage was less alarming, and discontent with the empty policy of no surrender was quicker to show itself, the resistance has been the same. In Warwickshire, where the owners offered an eight-hour day and an improvement on the wages in force before the stoppage, some of the miners were induced to return to work, but the great majority stood loyal to their leaders. What the mining districts have suffered in the lack of employment and earnings is disputed. Strike pay gave out almost at once.

## The Course of Events

Savings have been spent and debts accumulated, and there has been no money for clothes. But Labour speakers who have talked of hunger and starvation in the coal fields have gone beyond the facts. There has never been a coal strike in which more has been done, by the guardians, by the education authorities and by the voluntary aid of the Labour movement and the public, for the relief of distress. Food has not been among the necessities lacking and the miners' children have been in general well looked after.

### I. THE COURSE OF EVENTS

THE first phase of the coal stoppage was over by May 31. The General Strike had collapsed. The miners were left with the Samuel memorandum and the offer from the Government which followed it.\* When they rejected both, the Government "regained its freedom for all purposes." In particular the offer of any further subsidy lapsed with the end of the month. When the House met again on June 1 Mr. Baldwin largely qualified the abrupt effect of the decision. He explained that he still stood by the Report, that he had not ruled out the purchase of royalties or the introduction of municipal selling, and that he was even prepared to continue financial assistance from the State, if a settlement could be reached. This was practically a repetition and an enlargement of the offer withdrawn on the previous day. It met with no better response from the miners.

The next move came from the owners. On June 3 they invited the miners' leaders, then on one of their periodic visits to the continent in search of support, to meet them and reopen negotiations. The meeting took place on June 8. The owners stressed the necessity for longer hours if the industry was to be put in a position to pay

\* THE ROUND TABLE, No. 63, June 1926, pp. 568-571 and 582-585.



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its workers and its way. The miners retorted with a suggestion that did their cause no service. They proposed that selling agencies should be set up, the men to be represented on them, and that the agencies should fix prices at a level high enough to maintain the April wages. They were prepared to admit that the sale of coal would probably fall by half and to face the wide and permanent spread of unemployment in the mines, not to speak of unemployment in other industries. They considered that, if the coal export trade was a national necessity, it should be maintained by a subsidy. This ruthless programme of wages for the few and the "dole" for the many did not increase sympathy for its promoters with the general public, still less with Labour, already experiencing a foretaste of what was proposed for it in the doubling of the unemployment figures since the strike.

There was no further move for some days. But during all this time, while the deadlock between the official representatives of the parties was complete, it was being freely played upon by unofficial suggestions of all kinds. There appears to be no one of those accustomed to write to the Press who has not had a certain cure for the coal trouble. The most important and responsible suggestions were those forthcoming from Mr. Varley, M.P. for Mansfield and agent for the Nottinghamshire miners, Mr. Frank Hodges, the former Secretary of the Miners' Federation and present Secretary of the International Miners' Federation, and Sir Alfred Mond, one of the most prominent and progressive of industrialists and mine-owners. Mr. Varley—representing, as it is only fair to his colleagues to remember, one of the more fortunate coal districts—boldly proposed that wages should fall from  $33\frac{1}{3}$  to 25 per cent. over the 1914 rate for a provisional period ending with the year, with no change in the subsistence wage and a Government guarantee to the owners against loss. Mr. Hodges, who has all along considered an increase in hours to be preferable to a drastic cut in wages, recommended a longer working day

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and a loan to the industry for reconstruction on the security of a five years' truce. Both these suggestions and their originators came in for fierce denunciation from Mr. Cook. Mr. Hodges was threatened with the loss of his position as Secretary to the International Federation. Mr. Varley was deprived of his seat on the Miners' Executive by the Nottinghamshire men, though he regained it subsequently.

Sir Alfred Mond's scheme has found a good deal of favour with Labour, which has no little respect for his industrial ability. It was a crude and partial version of this plan that the miners' leaders put before the owners at their meeting on June 3. The plan aims at the better commercial organisation of the coal industry on the lines which have been followed in Germany. It proposes district selling organisations embracing all the coal producers in each area. These would control and market the whole output of the districts. They would determine selling prices, in conjunction with Germany when necessary, and promote the amalgamation of mines and the development of all the potentialities of coal. Unlike the miners' plan, the object of Sir Alfred Mond's selling pool is not to extract excessive prices from the consumer but to introduce economy and stability into the coal trade. There would be special safeguards for the consumer's interest. The principal spokesman for this plan among the miners' leaders has been Mr. Vernon Hartshorn, who, like Sir Alfred Mond, sits for a South Wales constituency. Both are included in a Committee now sitting to investigate it as part of the Government's policy for the reorganisation of the mines.

These unofficial suggestions and various attempts at negotiations behind the scenes led to no immediate result. But the effect of discussion and of the miners' own refusal either to consider the wage-cuts in front of them or any alternative for avoiding or mitigating them was to throw upon the Government the responsibility of taking some

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action and to bring into the foreground the question of hours which the Coal Report had left to the decision of the men. It was known about the middle of June that the Ministry of Labour was in consultation with the mine-owners. On June 15 the Prime Minister announced a new turn of Government policy in the House of Commons. He said that it had proved impossible to secure agreement between the disputants, and that the Government would introduce legislation on its own account in order to facilitate a settlement. The Government was unwilling to contemplate the hardships arising from a wage-cut sufficient to keep the majority of mines at work after the end of the stoppage or the amount of permanent unemployment that would be caused if wages were not cut by an amount sufficient for that purpose. The first article of their new programme was therefore to be legislation, not to supersede the Seven Hours Act, which would remain on the statute book, but to allow of a variation up to eight hours for a period of five years. The rest of it was to be legislative and administrative action designed to carry out the recommendations of the Royal Commission concerned with the search for minerals, amalgamation, pithead baths, the restriction on the recruitment of new labour for the industry, the National Fuel and Power Council, Pit Committees, Housing Committees, profit-sharing schemes and family allowances, and selling syndicates.

Mr. Baldwin explained that before he would consent to the introduction of what has been commonly called the Eight Hours Bill he had obtained information from the owners as to the best terms they could offer with its assistance. It appeared that for more than half of the men employed it would mean the full maintenance of the April rates, and, for the rest, reductions not exceeding ten per cent. After that wages would be fixed by the existing method of ascertainment revised by the owners in accordance with the requirements of the Royal Commission.

The Bill "permitting" variation from the Seven Hours

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Act was received with dismay by the Labour party in Parliament. It was resolved to offer it the most determined opposition. Mr. Hartshorn and other of the more moderate miners' members declared that the stoppage would last for weeks more before the men would consent to part with the shorter day. Mr. Herbert Smith, the titular head of the Miners' Federation, said that he was ready to face everything in the Report, but that he would choose lower wages before longer hours if there was to be a choice. Mr. Cook said that he would not continue in his position if the miners themselves consented to lengthen the day. The outburst, perfectly genuine, was apt to cause surprise, equally genuine, to "bourgeois" observers. It has seemed to some commentators a more natural thing that the men should prefer to work a little longer than earn a great deal less. They forget that the extra hour of leisure represents to its possessors the permanent achievement of trade union organisation and effort. A gain in wages is won to-day and lost to-morrow. The other, in the eyes of the trade unionist, is a conquest, in the advance towards higher standards, of the same kind as the franchise or the modern education system. A majority of miners, certainly of the younger miners, would probably support Mr. Cook in saying that "hours are far more important than wages, for wages fluctuate with the cost of living, and the wage to-day may not be related to the purchasing power of to-morrow, but long hours fill the cemeteries." The last words refer to the belief that longer hours underground increase the casualties of mining.

Reluctant as they are to consider longer hours there may be no other way of meeting the force of events, not least among which is now the long stoppage itself. Otherwise, apart from a terribly severe sacrifice from wages in nearly all districts, the best hope they can have is that delayed demand will keep the mines busy till the end of the year, and that then some change will have turned up. Even so, the remoter effects of an increase in hours are disputed by

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economists. The Coal Report did not recommend an increase of hours. It advised the Government to legislate for it if the men themselves preferred to make all or part of their sacrifice this way. It warned them against the possibility that unrest and absenteeism might wipe out the apparent gain if hours were lengthened against the wishes of the men. It calculated that the addition would "make the working day of the British miner longer by half an hour to an hour than that of miners in any European coalfield of importance, except Upper Silesia," and it saw that there was nothing to stop our foreign competitors following suit. It then considered the possible saving in costs of production.

The calculation assumes that each miner, on an average, will produce about one-eighth more coal in the longer day than in the shorter. This means either that the total output of coal will be increased by about one-eighth, say, 30,000,000 tons or more, the number of miners remaining unchanged, or if the total output is to remain unchanged, that the number of miners employed will be reduced by about one-ninth, say 130,000 men. . . . Looking at the first alternative, while it cannot be said that there is no possibility of ever finding a market for 30,000,000 more tons of coal than at present, it is exceedingly difficult to suggest where that market is likely to be found in the near future. . . . In any case . . . any apparent saving of costs through the lengthening of working hours, if the same number of miners are to be kept in employment, cannot be a net saving; part of the initial saving, and perhaps a large part, must be surrendered by the mining industry, in lowering the price so as to find a market for the increased supply.

The second alternative is that the total output may remain the same, but be produced at a lower cost by one-ninth fewer men; that is to say, by adding something like 130,000 persons to the number of unemployed miners, which in 1925 was already very great. . . . There is a heavy loss, in unemployment and distress and expenditure to relieve distress, which must be set against the apparent gain. . . . If now, at a time of extreme depression, when the supply of coal exceeds the demand this process [of shortening hours and reducing total output] is reversed . . . large numbers of the men drawn in since 1919 will be forcibly expelled from the industry. . . . The increase of working hours now, so far from being a self-evident part-solution for the coal trouble, is full of the difficulties which usually attend reversals of policy.

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In a letter to *The Times* of July 1 an eminent authority, Sir Josiah Stamp, put the opposite view. He took three standards by which to judge the change—viz., the amount of unemployment caused; the maintenance of the wage level; the provision of ample coal at prices low enough to assist the revival of industry. He pointed out that, if the industry proceeded with no change in hours or wages, it must contract until its unemployment reached 250,000 to 500,000, and the price had increased by 3s. or 4s. a ton. The second alternative—a fall of wages to the 1921 level—would still mean a number of derelict mines, but unemployment would be less severe and coal cheaper. The third—an increase in hours—keeping all mines in production, would increase output, though not to the fullest extent possible, as the fall in price has to be less than 2s. a ton to secure the gain. The effect of this, again, would be still less unemployment in the coal trade and cheaper and more abundant coal, stimulating employment in other industries, while miners' wages are maintained. Upon a comparison of these results Sir Josiah Stamp elected for the way of longer hours.

The Government elected for the same, and the "permissive" Bill became an Act early in July, not without scenes of Parliamentary turbulence. Against charges of partisanship or misjudgment in thus bringing the element of hours into play the Government defended itself with the argument that the Act is not binding on the miners and that a settlement could be made without it. That is true, but the men regard the lowering of the absolute statutory safeguard as giving an unfair practical advantage to the owners in the negotiations which must inevitably be undertaken one day. In the meantime it enabled the owners to post terms of employment at the pits tempting the loyalty of the men to their Federation. To three-quarters of the miners the same wages as before, or better, were offered. To the rest, with the exception of two small districts, a reduction of 10 per cent.

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To many the Government's action did not appear to be in the interest of a real and lasting settlement as well as an early one. But when the miners complain of the procedure as a departure from the Report, they forget the months they have wasted in saying "No" to every proposition put before them. In May they could have had the Report, with a settlement leaving wages intact, and a final instalment of subsidy besides. "He that will not when he may, he shall not when he wolde." In 1919 they threw away substantial advantages from the Sankey Report in precisely the same way.

### II. "THE BISHOPS' PROPOSALS"

IF the Government meant to intensify the pressure of time and necessity by their Act, they succeeded. The lure of higher wages in the Midlands did not start a collapse but it brought enough men back to work to show the miners' leaders that the policy of negatives was doomed to an early breakdown. This was the moment chosen for intervention by a conference of members of the Christian Churches, formed under the auspices of the Industrial Christian Fellowship, to consider means to peace "in view of the injury to the spiritual not less than to the economic life of the community which must be caused by a continuance of the present dispute." The Bishop of Lichfield, with other influential Bishops and representatives of the Free Churches and the Society of Friends, first secured a meeting with the mine-owners, "who indicated that the recommendations of the Report did not provide a solution." They then, on July 14, saw the miners and in the course of conference arrived at terms which the miners' leaders took the responsibility of accepting as the basis of peace.

The terms, briefly, were (1) an immediate resumption of work under the April conditions of hours and wages; (2) a national settlement within a defined period, not to



## “ The Bishops’ Proposals ”

exceed four months; (3) “financial assistance” from the Government during the period; (4) the submission of any disagreements at the end of the period to a Joint Board, consisting of representatives of both sides with an independent chairman to be appointed by the Board, whose decisions would be binding; while (5) the Coal Commissioners were to be reappointed to work out in detail the provisions of the Report affecting both wages and reorganisation, the Government to undertake to implement the results, where necessary, by legislation.

The two main features of these proposals, apart from the suggested independent chairman, were that the miners, for the first time, accepted the “whole Report,” including the recommendations on wages, and that they continued in their demand for a subsidy. The Bishop of Lichfield passed them on to the Prime Minister with the request that he should receive a deputation. Mr. Baldwin replied at once, in a letter consenting to receive the deputation, that “the terms and conditions on which work can be resumed in the coal-mining industry are not within the power of the Government to determine,” and that, while the proposals submitted professed acceptance of the Report, they included the suggestion of a subsidy which the Report had firmly excluded and to which the Government could not consent.

The mediators were much criticised, not only by laymen but by some of their fellow-clergy, for presuming “to interfere in matters which they did not understand.” The Prime Minister remarked in a sardonic sentence that if he saw the Federation of British Industries trying to bring about the reunion of Particular Baptists with Anglo-Catholics he would not be optimistic, though he would not despair. *The Times* suggested as a parallel the revision of the Prayer Book by the Stock Exchange Committee. The mediators defended their intervention in a deadlock that had defied lay efforts for three months as a matter of Christian duty, and pointed to the achievement of securing

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the miners' assent to the Report and to arbitration. As to the subsidy, the Bishop of Lichfield explained that "financial assistance" might take the form of a loan.

Mr. Baldwin gave his view more fully in the House of Commons on July 26 in reply to a speech by Mr. Lloyd George strongly criticising what he regarded as the Government's failure to take a constructive opportunity opened up by the new proposals. Mr. Baldwin again refused to consider a loan or an undefined subsidy, insisted that owners and men must negotiate an increase in hours or a decrease in wages or both, and that the door to negotiation was still open. He did not offer further Government intervention, but he declared that there would be no difficulty in setting up a fair arbitration tribunal if both parties desired it. In other words, the Government considered that, in introducing Bills to implement a large part of the constructive recommendations of the Report, its duty was done, and that it lay with owners and men to settle the terms on which work should be resumed. From this view of the Government's responsibility Mr. MacDonald vigorously dissented and asked that, instead of confining itself to rejecting a subsidy, the Government should discuss the "Bishops' offer" with the two parties and say what help the Government was prepared to give to end a dispute that was costing many times the amount of the £3,000,000 previously offered by the Government.

The miners' leaders, having taken their plunge at last, summoned a delegates' conference—the first since the strike—to approve the change of policy. It met on July 30 and was stormy. Mr. Cook was between two fires. The moderates asked why, if the proposed terms were right then, they had not been right three months earlier, when the miners could have had them all and more. The "no surrender" party attacked him for defeatism. Durham and South Wales moved a vote of censure, which was defeated, and the delegates dispersed to put the terms before the branches.

## Some Consequences of the Stoppage

When the Executive reassembled on August 10 to hear the results of the district consultations, they were baffled to find that the weight of the voting was against their recommendations. They had taken the men's approval too much for granted. The Miners' Federation is a cumbrous machine which cannot take a sharp corner easily nor are miners the men to acquiesce cheerfully in a sudden order for a retreat after having been exhorted for months to hold their positions at all costs and ask no questions. Probably they were also reluctant to approve terms which the Government had already rejected. The danger ahead of the leaders was now that of district settlements and a virtual break-up of the Federation. They summoned another delegates' meeting for August 16 and redoubled their efforts to obtain powers of negotiation from their followers.

### III. SOME CONSEQUENCES OF THE STOPPAGE

VARIOUS estimates have been offered of the cost of the stoppage. The Board of Trade calculated that £150,000,000 had been lost between April 30 and the last week in July. Mr. Runciman's reasoned estimate was for £10,000,000 more. Sir Hugh Bell, an experienced industrialist and economist, reckoned the loss at £3,000,000 a day, which works out at a much higher figure. After the General Strike Mr. Churchill foretold that it would be two or three years before the country could recover from a stoppage of twelve or fourteen weeks. Yet the ravages may be repaired more quickly if, as is possible, the adjustment of the basic national industry to a true economic level finally liberates the full competitive power of the industries dependent on it. The railway figures for the first quarter of the year showed a marked and promising advance in traffic. Unemployment had fallen below the million for the first time since the five years' depression began. Though the ill-

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fated strike cut that promise short, it persists contingently. The Board of Trade returns for July showed an increase of imports on the preceding month of nearly £3,000,000. This can be mainly accounted for by the import of coal. They also showed an increase of over £7,000,000 in the export of manufactures and a decrease in the excess of imports over exports. These figures, after the third month of a paralysing deadlock, disclose a remarkable power of resistance. With the aid of foreign coal, freely imported, the engineering industry has managed to maintain a rather unexpected degree of vitality. Other industries, though they have suffered very heavily, have not perhaps suffered the worst of their anticipations. Confidence, while awaiting a settlement—that is to say, a genuine economic settlement—is not destroyed, and there is hope in the reflection that the fool's paradise of subsidies has vanished. The more immediate effect is measured by the unemployment statistics. The totals below are taken from the official returns.

May 17	..	..	1,612,700
May 24	..	..	1,597,679
May 31	..	..	1,614,200

The total rose by steady increases to 1,645,100 on July 5, and then showed a slight drop. It should be remembered that the unemployed miners, to the number of over a million, are not included in these figures. The picture may be completed by the total of persons in receipt of relief under the poor law, as given in the House of Commons.

April 24	..	..	1,228,649
May 29	..	..	2,311,454
June 26	..	..	2,338,100

When the General Strike was broken off, the miners were indignant at the "betrayal" of their cause. Their relations with the rest of the Labour movement, industrial and political, have not improved since. Mr. Cook's in-

## Some Consequences of the Stoppage

transigence has exhausted the sympathy certainly of other leaders and of the unions hardest hit by the continuance of the stoppage. Mr. Bromley, secretary of the railway drivers' union, even published for his men's benefit a confidential report on the conclusion of the General Strike drawn up by the Trades Union Council for submission to the Congress which meets in September. The Council was as scathing as any other critic on the "slogan" for which it was expected to fight to a finish and on the inability of the miners' leaders to propose any terms of their own, except that neither hours nor wages should be touched. These quarrels remain suspended until the end of the mines dispute and the September congress. The Trades Union Congress has given financial assistance to the miners and affirmed the solid resistance of Labour to the "Government's attack upon hours." But any attempt by the Council or the Parliamentary Labour party to intervene in negotiations was firmly repulsed by Mr. Cook and Mr. Smith.

Another quarrel arising out of the General Strike is also awaiting liquidation. While Lord Oxford, Lord Grey and Sir John Simon were issuing heartening messages of support for the Government through the *British Gazette*, Mr. Lloyd George, in the American and foreign Press, was urging the Government, in view of what he considered to be its mistakes in the conduct of the dispute, to open negotiations with the leaders of the General Strike. Lord Oxford, supported by his personal followers, censured Mr. Lloyd George severely and declared that it was impossible to work with him any longer. But the bulk of the Liberal Press and party swung over to Mr. Lloyd George and have declined to excommunicate him. Lord Oxford up to now refuses to be reconciled in spite of the entreaties of Liberal meetings, and Mr. Lloyd George has been forced to devise an organisation of his own for his Parliamentary followers.

It is too soon, too, to speak of the effect on the Govern-

## Great Britain : The Coal Problem

ment of the long trench-warfare since May. When the General Strike collapsed, Mr. Baldwin's reputation was at its height. Yet the Government was heavily defeated by Labour in a by-election at North Hammersmith, and, more recently, Labour has held Wallsend in another by-election by a much increased majority. The Government's stock may rise again. The present impression is that it has fallen as steadily as weariness and irritation with the dispute have accumulated. But an organised attempt by Parliamentary Labour to bring discredit upon the Prime Minister—of all people—and other Ministers by charging them with an interest in industrial undertakings, and therefore in a settlement adverse to the miners, has proved misguided and futile.

## IRELAND: EVENTS IN THE FREE STATE

### I. POLITICAL

THE life of the present Dail legally ends in September, 1927, and already all parties in the Free State are preparing for the fray. Mr. Kevin O'Higgins, the Minister for Justice, described one of his recent speeches as an "advance note to the general election," which indicates that the Government are already seriously considering the question, and it is probable that the dissolution will take place in the spring or early summer of next year. It cannot be said that the general public is wildly excited over the matter, although the contest will not be without elements of interest and humour. The Government, or Cumann na nGaedheal (League of the Gaels), party starts with the undoubted advantage of being "the man in possession," but they have stronger claims than that on the support of the electorate. They have during their years of office fought a bitter civil war to a successful conclusion, created law and order out of chaos, and embarked on far-reaching economic schemes such as the electrification of the Shannon, the foundation of the beet sugar industry, and, not least important, the overhauling and regulation of our agricultural export trade. They have also balanced the budget, done something to make good the terrible housing shortage, started to improve the roads, completed land purchase, and are moving towards a local government policy that will be in keeping with our national tradition and temperament. These accomplishments are all the more remarkable



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when one remembers that they are the work of young and inexperienced men who started their executive career without a considered policy in front of them or a properly organised political party behind them. Even at the present moment their party is neither powerful nor prepared, and lacks both a representative personnel and a full purse. The Government is also, of course, suffering from the results of its virtues. Every manufacturer who has failed to secure protection for his product, every trader who has been compelled to pay his full income tax, every wrong doer who has been brought to justice, and every crank whose panaceas have been rejected, is waiting for the general election as the Germans are reputed to have waited for "Der Tag." The Irish people are painfully becoming aware that the native tax collector is more intelligent and more severe than his English predecessor, and the Civic Guard even more wideawake than the Royal Irish Constabulary. The natural reaction caused by these painful discoveries as to the price of freedom is not going to assist the Government candidates at the coming election.

On the other hand, the plight of their opponents is even worse. Republicanism has definitely disintegrated into two irreconcilable factions, and it may be doubted whether both combined will return ten candidates to the next Dail. Mr. de Valera launched his new party in May, and has christened it *Fianna Fail* (Soldiers of Destiny) regardless of the fact that this is the official title of the Free State army ! At his inaugural meeting he assured an expectant world that its mission was to prevent Republicanism sinking into "nominalistic formalism," and then proceeded to deliver an address as full of that bog-like and elusive quality as one might expect from the parent of Document No. 2. As Mr. O'Higgins aptly said afterwards at Clonmel, "the man who did his damndest to cut his country's throat now invited it to commit political *hara-kiri* in order to save his face." He and his followers have naturally not accepted Miss MacSwiney's suggestion that they should resign their

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seats in the Dail, which, by the way, they have never occupied, on the ground that they have changed their policy. Nor do they seem to have heeded her characteristic admonition that "the descent into hell is easy once the first step is taken." But the doings of Lord Asquith's Shadow Cabinet are mere child's play compared to Miss MacSwiney's activities, for this amazing lady has now created a new Shadow President elected apparently by a Shadow Dail in a very shadowy back parlour. No one even knew an election had taken place until this unfortunate person—one Art O'Connor—was introduced quite casually to a meeting as President of the Irish Republic, a political entity which now only exists in Miss MacSwiney's fertile brain, and which, according to Mr. de Valera, does not function over a square foot of Ireland. Mr. O'Connor is at least true to type, for in what may apparently be considered his "Inaugural" he declared that he did not give "a fig for logic in national affairs," and proceeded to denounce the Government for "gulling and deceiving the people by little petty schemes" such as "improving the breeds of cows, draining the Barrow, and electrifying the Shannon." It is not surprising to find the Government treating such a party with the contempt it deserves. Quite recently one of the Republican emissaries from America was captured red-handed on landing at Cove with money and dispatches which revealed the fact that the Republican movement in America was both bankrupt and disorganised. The judge at the trial fined him heavily and let him out on bail, probably the most striking commentary on the futility of his crime. In short, Republicanism has ceased to be a serious force and become synonymous with the "play-boyism" from which it originally sprang. This will not of course prevent Miss MacSwiney from repeating her threadbare incantation that "the sovereignty of a nation is an inalienable right which is not judiciable," nor can anyone legitimately object to her indulging in this innocent amusement.

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Amongst the other parties which are likely to contest the election and enter the Dail, Labour is easily the most formidable at present. It has consolidated and strengthened its position by excellent parliamentary tactics, and the work of Mr. Johnston, its able leader, has had the support of an efficient permanent secretariat. Moreover, it has enunciated a definite policy which may be briefly summarised in Mr. Johnston's statement that "the general good and the national well-being should take precedence over property rights." It has also fully realised that it is the first duty of an Opposition to oppose. The Farmers' party on the contrary has done little to increase its prestige. It has no real leader in the Dail and no considered policy even in its own domain of agriculture. Its ill informed and niggardly bellowing for economy at all costs has been its only serious contribution to public discussion. Even of less account is Clann Eireann (pronounced appropriately enough Clown Erin), the new party of which Professor Magennis is at once the founder and the prophet, and it may seriously be doubted if any of its members will survive the polls. Its chief purpose so far has been to provide the Government with a suitable target for its shafts of wit, and its policy is so nondescript that it can be flavoured to taste and swallowed by anyone gullible enough to believe in its curative qualities.

Captain Redmond is starting a new party with, it is understood, considerable promise of support, but his father's two principal colleagues, Mr. Devlin and Mr. Dillon, stand aloof. Mr. Devlin maintains an attitude of benevolent neutrality, and Mr. Dillon, who is now, like his one-time friend Mr. William O'Brien, an extinct volcano, will not, it is understood, re-enter the political arena. It is not likely that Major Bryan Cooper or the other ex-Unionist members of the Dail will be asked to participate in this venture, and they will probably remain as they are at present, a small group of useful and critical free lances. Captain Redmond has of course the prestige of his name, which stands

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for a great deal in a country where a well-known personality counts for more than an intelligent policy, but it is doubtful whether he can secure either the personal or financial backing to make it even a large group in the new Dail. He can probably count on strong support from the ex-service men. It is understood that his policy will be directed to the creation of a united Ireland by an attitude of conciliation towards Ulster and frank and friendly co-operation with England. Such a policy if applied fearlessly to all the problems of the Free State would undoubtedly provide a strong basis for an effective Opposition to the present Government, but it cannot succeed if it is introduced under the patronage of the drink trade or as a mere revival of the old Irish party, both of which pitfalls probably beset its path. It is, for instance, obvious that the policy of what may be called selective protection on which the present Government has definitely embarked constitutes the most serious and indeed the only permanent barrier to Irish unity. A party that honestly desired to induce Ulster to unite with the Free State on a federal basis would undoubtedly have to make free trade with Northern Ireland and England the principal plank in its platform and to renounce the *a chara* policy of our present rulers.\* If it obtained office it could quite effectively support and assist new or struggling Irish industries by a policy of bounties which would not antagonise our neighbours and which would definitely establish and bring home to everyone the cost of the experiment. The recent debates on the Tariff Commission Act have proved that the future lines of political division in the Free State are very likely to be governed by this and similar economic questions.

If the policy of protection is to be continued and enlarged there is everything to be said for the establishment of such a Commission. The Act provides that the Commissioners, who, it is understood, are to be civil servants representing the principal departments concerned, Finance, Commerce

\* See THE ROUND TABLE, No. 62, March 1926, p. 364.

## Ireland: Events in the Free State

and Agriculture, will have the same powers as the High Court to compel the attendance of witnesses and the production of documents. They will be asked in each case submitted to them to investigate the importance of the industry seeking protection; the cost of the production of the goods here as compared with elsewhere; the effect of granting protection on production and employment in other industries, on the public as consumers, and on the revenues of the State; the prospects of the industry seeking protection establishing itself; the minimum amount of customs duty necessary for the successful conduct of the industry; and such other economic, industrial and administrative aspects of the application as are relevant to determination of its merits or demerits. The Government refused to accept an amendment providing for an inquiry into tariffs already in operation on the grounds that enough information as to their operation is not yet available and that it would not be fair to the manufacturers concerned. New protective tariffs have already been imposed in the following industries:—blankets and blanketing, boots and shoes, bottles or jars of glass, candles, clothing, personal and wearing apparel, furniture (other than bedsteads) made wholly or partly of wood, and bedsteads of any material, motor cars, soap, soap substitutes and soap powders, sugar confectionery (including jam), and oatmeal.

The Act is really the rather amusing result of the internal dissensions in the Government party between Mr. J. J. Walsh, the Minister for Posts and Telegraphs, and his pugnacious protectionists and Mr. Hogan, the Minister for Agriculture, and his fierce free traders. Mr. Walsh's prescription is to give a full dose of protection and hold an inquest and post mortem afterwards. Mr. Hogan refused to be *particeps criminis*, and so the compromise is to give the patient small doses of protection mixed with jam and watch the result. Mr. Walsh has apparently handed in his gun for the present, but not without first indulging in a little "powder play" and firing a few blank cartridges in

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Mr. Hogan's direction. The Government will, of course, be free to accept or reject the Commission's recommendations, but they refused to set up a Commission which would discuss general principles. It will be remembered that the Fiscal Commission of distinguished economists which was set up soon after the civil war terminated reported in favour of free trade, but its recommendations have been ignored and its members will not be readily forgiven by the whole hoggery for suggesting that most of the industries clamouring for protection were suffering from senile inefficiency rather than infantile paralysis. It is also understood that the reason why no economic experts are to sit on the new Commission is because all the experts available are unrepentant free traders. The Government has quite clearly been plagued by the various manufacturing interests and has erected the new Commission as a barrier or screen through which such demands must be filtered before a decision is arrived at. The free trade critics of the measure have not been slow to point out that the world-wide reputation of such firms as Guinness and Jacob have been built up without the assistance of protection and the farmers have continued to voice their objection to protection in any shape or form. The negotiation of a commercial treaty with France, which is said to include a remission of the recent increase in wine duties, proves that we are learning to use tariffs for other purposes than protection. But all this controversy is healthy. It shows that we have abandoned shibboleths and are getting down to the discussion of political and economic realities just like any normal nation. The merits of free trade and protection were discussed in the Dail and Senate debates on the Tariff Commission Act with almost as much heat as was bestowed on the question of the oath of allegiance four years ago.

The rather cryptic paradox of Mr. Desmond Fitzgerald, the Minister for External Affairs, that the best hope of unity in Imperial affairs lies in giving free play to divergencies, is so far the only indication of the Government's

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policy at the forthcoming Imperial Conference. It is to be hoped that some better thinking than this will be given to the matter immediately. Momentous questions will come up for discussion and something better than Mr. Fitzgerald's rather cheap cleverness will be necessary in dealing with them. The future of the Commonwealth and its political development are matters which deeply concern the Free State. It is understood that the Government is anxious that certain anachronisms concerning the position of Governor-General should be swept away. For instance, the convention that all State documents passing between Dublin and London must come through him instead of passing between the Governments direct. It is also probable that opportunity will be taken to raise the question of more closely circumscribing and defining the right of appeal to the Imperial Privy Council. But all these questions are only subsidiary to such issues as may be raised by General Hertzog concerning the exact relationship of the various entities of the Commonwealth to one another, whether they are to become merely a loose working alliance of independent States or are to establish some form of joint council for common decisions on vital matters. It is to be expected that our Government will favour the Hertzog point of view, but it is highly desirable that they should formulate their views publicly and indicate the basis of their policy on these important questions to which the Free State has so far given little serious attention.

On the whole, however, it may be both hoped and expected that the present Government will, as a result of the election, be again returned to power. Their defects are those of a young oligarchy whose political parent was a secret society, and if at times they have found it difficult to comply fully with the admonition of the Apostle: "Love the brotherhood.\* Fear God. Honour the King," which some wag suggested should be the motto for the Great Seal of the Free State, they have nevertheless done

\* *i.e.*, The Irish Republican Brotherhood.



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their best under very difficult circumstances to reconcile the various interests concerned and have undoubtedly gained sufficient practical experience to guarantee for the immediate future that firm and efficient government which the country principally needs. The only possible alternative would seem to be a weak coalition of irreconcilable minority groups.

### II. ECONOMIC AND GENERAL

THE "Trade and Shipping Statistics" of the Free State for 1925 are now available and disclose a decrease of £6,381,941 in imports and £6,917,822 in exports. The decline in the export of cattle is the outstanding feature of the year's trade, and accounts for £4,279,521 of the decrease in exports. This falling off followed as the natural consequence of the huge over-export of cattle in 1924, which was one of the highest years on record, and the decrease in exports generally is by no means as serious as might appear at first sight. Mr. Hooper, the able official director of statistics, who has prepared the returns with his usual skill, proves that one of the most persistent causes of fluctuations in exports of cattle is the fluctuation in the production of roots and hay in Great Britain, the increase or decrease of the export of Irish store cattle coinciding in nearly every case with an increase or decrease of these crops in Great Britain. Early information regarding grass and root crop prospects in Great Britain is accordingly of first-class importance to those interested in the Irish cattle trade. In this connection it is interesting to point out that this trade is no longer frightened of Canadian competition, as it is now apparent that the Canadian cattle, owing to the heavy freight charges and deterioration due to the long sea voyage, cannot effectively compete with the Irish cattle. At the present time two out of every five cattle slaughtered in Great Britain are

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born in Ireland. Mr. Hooper makes some interesting comparisons with Denmark, our principal agricultural rival in Europe, and shows that although the Free State has a slightly smaller population than Denmark it has over fifty per cent. more cultivable land, but ploughs only a little over a third of the area ploughed in Denmark. On the other hand, it has a much larger number of cattle and sheep per one hundred persons than any of the other European countries, and more than Canada and the United States, but much less than Argentina, Australia and New Zealand. The yield per cow in the Free State is, however, low, and accordingly the great exports of butter from the Free State are in reality small as compared to the dairy herd, or as compared with the great exports of live cattle. But there is no live stock trade between any two countries in the world which approaches the dimensions of that between the Free State and Great Britain and Northern Ireland. The comparative statistics as to general trade between the two countries show that per person the Free State sold goods valued at £13 14s. to its nearest neighbour. This is below the figure for New Zealand and Denmark but greater than that for Australia, Argentina, Canada (its rivals in food supplies) and all other countries. As regards purchases from Great Britain and Northern Ireland, New Zealand came first and the Free State second, buying per person goods valued at £12 14s., Australia came third and other countries far behind.

Fortunately the present Free State Minister for Agriculture, Mr. Hogan, has a clear conception of what these figures reveal and realises that Irish agriculture requires technical rather than political treatment for its improvement. He knows that the remedy for agricultural depression is not to be found in loans, subsidies and tariffs, but in improved methods of production and marketing. This policy applied to our egg exports, which are now properly graded, inspected and packed under official supervision, has placed them in the highest position in the English

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markets. The new Dairy Produce Act will shortly place our butter in a similar position. He is also taking steps to improve the country's live stock and milk supply, and special research departments in dairying and agriculture are being founded in connection with the faculties of agriculture in the colleges of the National University at Cork and Dublin. In his recent declaration of policy he pointed out that protection is of no use as far as agriculture is concerned. We could not protect our live stock or egg trade as there are practically no imports of these articles, the increase in butter production following a tariff would be so slight as not to be worth the cost, and to keep out foreign bacon a duty of fourpence per pound, which would cost the country nearly a million pounds a year, would be necessary, and would have no appreciable effect on the price of pigs. Mr. Hogan has also wisely determined to pay special attention to rural education, and with this object in view has decided to set up a special Publicity Branch of his department which will supply material to the small local papers for an attractive and instructive agricultural page. In other words, he is putting Sir Horace Plunkett's prescription of Better Farming, Better Business, and Better Living, into practical application with excellent results. In the Department of Education the new Minister, Professor O'Sullivan, has also done well. The difficult question of the school programme has been settled by a conference of experts, a valuable School Attendance Act has been passed, and a million is to be spent as a first instalment in the very necessary work of providing better accommodation in the schools.

The silly dispute with the medical profession over registration has been apparently settled by a compromise in which the Government saves its face and the doctors secure the registration under the British Medical Council for which they fought and without which medical education in Ireland would have virtually ceased to exist. The threatened labour trouble on the railways has been averted

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as the result of negotiations between the Great Southern Railway Company, which now controls all the Free State railways, and the trade unions concerned. The men have accepted the all-round cut of from four to five shillings a week decided on by a majority of the Irish Railway Wages Board, and the company has agreed to postpone its application for a few months.

We have, of course, suffered the inevitable reactions from the coal strike of high prices for coal and low prices for our agricultural produce. A Commission on Food Prices after the English model has been set up, and has already had trouble with the Retail Purveyors' Association, whose secretary has been sent to gaol for refusing to produce a list of its members. So far the Commission cannot be said to have produced any tangible results nor do its proceedings seem to have stirred public opinion to action. Unfortunately, as Mr. Blythe said in his budget speech, "there are people who would not walk round the corner to avoid profiteering but who would heartily curse the Government for not doing something about it." The real remedy for profiteering is to be found in consumers' leagues or co-operative societies, and these are unfortunately virtually non-existent in the Free State.

A Bill has also been introduced to deal with the existing system of making official appointments by local boards. This system lends itself to favouritism and corruption and has undoubtedly attracted many undesirable persons into public life. Moreover, the clan, or powerful family, is still potent in rural Ireland and preferment is secured too often by influence rather than by merit. It is now proposed that selections for such appointments shall be made in future by a central Commission, and this proposal has met with the usual objection that it is undemocratic, democracy being apparently in some peoples' minds equivalent to inefficiency. Local government has become far too complicated a matter for unskilled management, and in so far only as it recognises this will the Free

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State succeed in improving the health and happiness of its people. This Bill is a first rate example of sorely needed legislation which could only be introduced and carried by a native Government. If attempted by Dublin Castle in the old days it would have been bitterly and rightly resented as tyranny.

The National Land Bank, the affairs of which have recently been the subject of much public controversy, was founded by the first Dail before the Treaty to finance certain land purchase transactions, and its paid up capital is held by the Minister for Finance. He has just made an excellent bargain in selling it to the Bank of Ireland at par, a deal equally good for the Bank of Ireland, which has thereby eliminated its only real rival for State business.

Educated opinion here has been deeply stirred by recent developments in the controversy over the Lane pictures. As this question raises issues of more than national importance it may be well shortly to recapitulate the facts. The late Sir Hugh Lane, who was a great art dealer and connoisseur, of Irish birth, had always been deeply interested in the establishment of a modern art gallery in Dublin, and had in fact made many gifts to the Dublin Municipal Gallery of Modern Art. In 1915, having to travel to America and knowing the risks involved, he made a codicil to his will revoking a bequest of thirty-nine valuable modern pictures to the National Gallery in London and leaving them to the City of Dublin provided that a proper gallery was built for them within five years from his death. This codicil was signed but unfortunately not witnessed and was therefore legally inoperative. Sir Hugh subsequently lost his life on the *Lusitania*. At the request of the Free State a Committee was appointed by the late Labour Government in England to decide whether Sir Hugh believed he was making a legal disposition of these pictures, and if so, having regard to the international character of the matter at issue, whether the defect should be remedied by legislation. The first question has been answered by

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this Committee in the affirmative, and indeed having regard to the evidence of Sir Hugh's relatives and friends no other answer was possible. But the Committee has answered the second question in the negative on the extraordinary ground that if Sir Hugh Lane had lived he would have destroyed the codicil and left the pictures to the new London Gallery at Millbank. It is hardly necessary to point out that on such speculative grounds any bequest could be upset. Whilst it may be freely admitted that the Free State has no legal claim to these pictures, its moral claim is unanswerable, and it is greatly to be regretted that the English Committee did not recommend the only course which is honourably possible, namely, to legalise Sir Hugh Lane's admitted intention on condition that a suitable gallery is built in Dublin within five years from the bequest being legalised. If it was possible to alter Cecil Rhodes' will in order to exclude German students from its benefits, surely it is a hundred times more desirable to implement Sir Hugh Lane's bequest to Dublin. Public opinion here is rightly determined that the matter shall not be allowed to rest where it is, and both the Senate and the Governors of the Irish National Gallery have unanimously passed resolutions asking the Free State Government to take further action. It is pleasant to record that Lord Carson is at one with his fellow-countrymen in this matter and has introduced a Bill in the House of Lords for the return of the pictures to Dublin. In the Senate debate Mr. Blythe, the Minister for Finance, said that he had always found the British Ministers anxious to treat the Free State fairly and straightly and that there had never been anything mean or shabby in their attitude towards Irish affairs. It is to be sincerely hoped that this generous testimony will not now require to be altered. Mr. Baldwin has a great opportunity of doing the right thing in the right way and there are many people in Ireland who, remembering the words of friendship and wisdom they heard from his lips last St.

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Patrick's night, believe that he is big enough to rise to the occasion. One such honest action would do more to encourage and develop the increasing good relations between the two countries than any amount of soft talk. He can find a good example in the action of the Free State Government, who immediately after Mr. Justice Meredith's decision that letters patent granted in London before December 7, 1921, had no effect in the Free State, introduced a Bill to declare the validity of the patents concerned, which will be proceeded with if the Supreme Court does not reverse Mr. Justice Meredith's decision.

As these lines are being written Dublin is about to open its great annual Horse Show, which this year promises to surpass all previous records. Last year the entries were the greatest in the history of the Royal Dublin Society, and this year they are greater still. It is expected that the attendance will tax the Dublin hotels and the large show grounds at Ballsbridge to their utmost capacity. The introduction of an international military jumping contest, for which entries have been received from many countries, is bound to prove a great attraction.

Altogether, the Free State has every reason to be satisfied with its progress during 1926, and to be confident as regards the outlook for 1927. Confidence is indeed, as Professor Parker Willis, the American Chairman of our Banking Commission, has recently pointed out, the quality which as a people we most sadly lack. That the present Government of the Free State has never despaired of its country is its best claim upon our support in the present and the best example for our conduct in the future.

The Irish Free State. August 1926.



## CANADA : THE POLITICAL AND CONSTITUTIONAL CRISIS

### I. THE COURSE OF THE SESSION

THE account of current politics in Canada given in the June number narrated the protracted struggle for party supremacy in the opening weeks of the session and left the Liberal Government with its position apparently well consolidated by reason of the working arrangement for co-operation which it had achieved with the Progressives. This arrangement was in no sense a definite alliance, but the Progressives in return for their support were allowed a voice in framing legislation, and their influence was exercised freely at regular conferences which were held between their executive committee and Ministers. The Conservative Opposition was vigilant and aggressive, and repeatedly got the Government into awkward corners, but as long as the votes of the Progressives were available to repel assaults Ministers had no reason to fear a defeat in the House of Commons. The budget was on the whole popular, and concessions in the excise tax assuaged the wrath of the motor manufacturers and their allies at the reduction of the motor duties. The Conservatives did not venture to offer any serious opposition in the Commons to the Old Age Pensions and the Rural Credits Bills, although the former was summarily killed by the Senate ; and, as reasonable progress was being made with estimates, friends of the Government were justified at the end of May in

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claiming that it had materially improved its position both inside and outside Parliament, and might easily survive several sessions.

But always in the background there was lurking the dread spectre of the customs scandals, which were being investigated by a special committee of Parliament; and, as day by day there emerged fresh revelations of grave incompetence and corruption in the public service and the complicity of Ministers and high officials was being established, it became plain that the Government must face some anxious hours before prorogation came. Indeed, by the beginning of June the keen interest aroused by the proceedings of the special committee had relegated the ordinary work of Parliament to the background.

About the middle of June the committee announced the conclusion of its public hearings, and proceeded to compile a report. An agreement to omit all references to the political aspects of the scandals, and leave them to the scrutiny of the House of Commons, removed the main barrier to unanimity; and a long and comprehensive document, embodying the findings and recommendations of the committee, was submitted to the House of Commons. The report found that during recent years the Customs Department had been afflicted by a gradual process of demoralisation, and that the process had been accelerated during the régime of Senator Bureau, who had retired from the Cabinet in September, 1925; that the smuggling industry had grown to enormous dimensions and had been responsible for very serious frauds upon the revenue; and that it had owed its prosperous immunity from effective restraint to the connivance, and in some cases to the active co-operation, of customs officials. It recommended a wholesale reorganisation of the Customs Service, to be assisted by the dismissal or retirement of a number of prominent officials, and suggested drastic changes in administrative methods, the abolition of a number of the smaller ports of entry, the establishment of a special secret

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service to cope with the smuggling evil, and other reforms. It also advocated the prosecution of numerous firms which were charged with frauds upon the revenue and, admitting that only part of the field demanding investigation had been covered, suggested the continuance of the inquiry by some other tribunal.

When Mr. Mercier, the Liberal chairman of the special committee, moved the adoption of this report, the Opposition lost no time in launching their attack. Mr. H. H. Stevens, the ex-Minister who had made the original charges, moved an amendment inviting the House to declare that the late Minister of Customs had been guilty of derelictions of public duty and that, since the Prime Minister had months before been made cognisant of conditions in the Customs Department and had refused to remedy them, the whole Ministry was involved in responsibility for the scandal. The Government accepted the challenge of this direct vote of censure, and the Progressives found themselves in the rôle of jurymen with both sides striving strenuously to gain their favour. Mr. Boivin, the Minister of Customs, made a very skilful defence of the two charges brought against him, that he had interfered with the course of justice for the benefit of a political worker and that he had made an indefensible sale of a quantity of confiscated liquor to a firm of questionable reputation; and Mr. King and several of his colleagues spoke vigorously on his behalf.

But the Conservatives had a wealth of ammunition at their command, and steadily pressed home their indictment during a debate which lasted for four whole days before crowded galleries. A move to assist the Government was made by a friendly Labourite, who interposed a sub-amendment eliminating the censorial features of the Stevens' amendment and suggesting the continuance of the inquiry by a Judicial Commission. This the Government accepted, but the Conservatives derided it as an attempt at white-washing; and when the division on this sub-amendment came on the evening of June 25, enough Progressives

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supported them to defeat it by two votes. Another division on an appeal from a ruling of the Speaker, which followed shortly afterwards, revealed a similar majority against the Government, and thereafter it bent its efforts to secure the respite of an adjournment. The first attempt failed by a single vote, and the debate went on through the night on another sub-amendment moved by a Progressive. Eventually at 5.30 a.m. on June 26 the Government did secure adjournment by a single vote, and the exhausted members went home, conscious that the Ministry was sore beset but scarcely dreaming at the moment that this particular Parliament had virtually run its course.

### II. THE CRISIS

THE preliminary votes on the evening of June 25 had revealed the precarious position of the Ministry and the imminence of a political crisis. As the result of prolonged deliberations with his Cabinet, Mr. Mackenzie King advised the Governor-General that a dissolution of Parliament should take place. Lord Byng was in a position of great difficulty; Mr. King had secured a dissolution ten months before for the avowed purpose of gaining a clear majority which would permit the pursuit of vigorous policies upon certain pressing problems, but the result had damaged instead of improved the position of the Government in the House. Now Mr. King, having come to the end of his tether in the new Parliament, was seeking a second dissolution, relying on the fact that such a request had not for a hundred years been refused to a British Prime Minister. Lord Byng, however, seems to have taken the view that unprecedented circumstances, notably the practical certainty of the Government's impending defeat on a direct vote of censure, justified a departure from ordinary constitutional practice. He rejected the advice of his Prime Minister; and Mr. King, after pressing his view, tendered his resignation on June 28.

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Lord Byng accepted it immediately, and he probably now realises that his precipitate acceptance involved Mr. Meighen, whom he sent for and invited to form a Ministry, in great difficulties; for the Liberal leader, released from responsibility and labouring under a sense of grievance, was free to launch immediately a strong attack on his successor. About the exact course of events which followed there is some obscurity, but the generally accepted version is that Mr. Meighen did not immediately accept office, but deferred his decision till nearly midnight on June 28. He gave no undertakings that he could carry on successfully, and, contrary to the general belief, he neither received nor even asked for any promise of Progressive support.

On the 29th a conference took place between the Governor-General and Mr. Forke, the leader of the Progressive party, but its object was to apprise Mr. Forke of the decisions which had been taken, and not to discover whether he would support the new Ministry; later, at a meeting of the Progressive party held the same afternoon, the members subscribed to a short memorandum intimating their willingness to assist Mr. Meighen in winding up the sessional programme, and handed it to Mr. Forke for transmission to the Governor-General. At a subsequent stage, when the majority of the Progressive party had recorded votes contrary to the spirit and terms of this memorandum, it became the subject of a bitter controversy which induced Mr. Forke to resign the leadership of his party; but there is no reason to believe that Mr. Meighen regarded it as a binding pledge of support or was influenced by its existence.

Mr. Meighen, by his acceptance of the Prime Ministership, had automatically vacated his own seat; and the appointment of a regular Cabinet would have entailed the withdrawal of his Ministers from the House and endangered his frail majority, which had never exceeded two. So he resorted to the device of acting-Ministers, and distributed the different departments among six of them, with instruc-

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tions to pass the vote of censure on the late Government and wind up the business of the session with all speed. They succeeded after a sharp debate in getting the vote of censure passed by ten votes ; but in the absence of Mr. Meighen and his ablest lieutenant, Mr. R. B. Bennett, they cut a decidedly sorry figure when the Liberals deployed to a counter-attack and challenged the regularity of their status as acting-Ministers. There were precedents for such appointments. The Deputy Minister of Justice had certified that they were completely in order, and since 1921 more than one Liberal acting-Minister had administered a department ; but the Liberals argued that a whole Cabinet composed of acting-Ministers was a ridiculous travesty of constitutional practice, that, in the absence of the formalities usually associated with the construction of a Cabinet, there was in reality no Meighen Ministry, and that the acting-Ministers were impostors devoid of any proper authority to assume responsibility for the passage of legislation and supplies. In the bitter debate which followed, Mr. Mackenzie King spoke with a force and effectiveness which he has rarely equalled in his career, and a very feeble defence to his determined onslaught was offered by the Government front-bench. As the debate proceeded, the majority of the Progressives became gradually impressed by the Liberal arguments that the Meighen Ministry was of irregular origin, and took the view that its illegitimate character absolved them from any undertakings which had been given on the supposition that a formally constituted Ministry would be established. So when, in the early hours of July 2, Mr. Robb, the ex-Finance Minister, moved a motion of want of confidence in the new Meighen Ministry, it was carried by a single vote.

The result was accepted by Mr. Meighen as decisive evidence that he could not carry on, and he at once sought a dissolution ; indeed it is believed that he only took office on a definite pledge that, if his plans for completing the business of the session miscarried, he would be allowed

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to appeal to the country. If this is true, Lord Byng had no alternative but to grant his request. Parliament was suddenly dissolved without following the procedure commonly adopted when a dissolution occurs with Parliament in session, of attendance in person by the Governor-General to announce dissolution to both Houses after giving the Crown's assent to all completed legislation. All formal ceremonies were dispensed with, and members learnt that Parliament had ceased to exist in the corridors from clerks and messengers; Mr. Bourassa complained that he heard of dissolution first from a wandering Asiatic consul, and Liberals discovered a fresh aggravation of Lord Byng's and Mr. Meighen's offences against normal constitutional practices. The most unfortunate result of this summary procedure was that practically all the legislation of the session went by the board, and the Liberals now contend that there is no proper authority for many of the changes decreed by the budget, such as the restoration of two-cent postage. Moreover, supplies had only been voted up till June 30, and, until a new Parliament can meet, they will have to be secured by the device of Governor-General's warrants.

Thus ended, after a brief and stormy career, the fifteenth Parliament of Canada. Preparations for the election of its successor are now busily afoot. Polling day has been fixed for September 14, candidates are already being nominated, and the tides of electioneering oratory are flowing freely. Mr. Meighen in constructing his Cabinet was faced with serious difficulties, and once more Quebec, from which he has not a single French-Canadian supporter, furnished him with his most acute problem. A series of disastrous defeats, instead of closing the ranks of French-Canadian Conservatism, has produced quarrelsome factions; unable for the moment to reconcile their claims, Mr. Meighen has been compelled to content himself with one French-Canadian Minister from Quebec in Mr. E. L. Patenaude, who becomes Minister of Justice; he has,



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however, left vacant five portfolios, of which three will be filled at a later date by French-Canadian Ministers. The Cabinet which he has announced contains twelve Ministers endowed with departments and four Ministers without portfolios. There is general commendation of the choice of Mr. R. B. Bennett as Minister of Finance, for he combines a long experience of politics with high standing both as a lawyer and a leader of industry, and his record as a cordial backer of the wheat-pool movement in the West absolves him from the charge that he will be a pliant tool of "Big Business." Otherwise, although the Cabinet contains a number of competent politicians and a substantial contingent of experienced men of business, its strength is not commanding ; it would have made a better appeal to the country if Mr. Meighen had succeeded in bringing back into public life Sir Robert Borden and in introducing some outstanding figures who have not been actively engaged in politics. However, the Prime Minister at any rate deserves credit for courage in omitting, in face of severe pressure, some veteran party war-horses whom the country has ceased to regard as useful members of a Cabinet.

The Conservatives will naturally endeavour to fight the contest on the customs scandals and the general administrative record of the Government, and they will strenuously deny that there has been any constitutional irregularity. They will admit that, as the result of the advance in the political status of the Dominion, the Governor-General has lost his original rôle of a political officer of the British Government armed with discretionary powers, and has come to occupy the same position in relation to his Ministers as does the Sovereign ; they will concede that within the last hundred years there has been no precedent either in Britain or in a self-governing Dominion for the Crown refusing dissolution to a Minister who sought it. They will also, however, point out that after Mr. Mackenzie King had sought and obtained a dissolution last autumn

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he was very explicit in assurances, given most definitely in a speech delivered at Richmond Hill, that he would not continue in office as a minority Prime Minister ; and that, after the electorate had denied him a clear majority and defeated half his Cabinet, he decided none the less against the resignation which many influential Liberals counselled. They will recall that when the Conservatives launched their charges about the Customs Department at the opening of the session, Mr. King agreed to have them investigated by a special committee, and gave a definite pledge that there would be the fullest possible discussion of the report and that the verdict of Parliament would be accepted. They will charge that he tried to prevent the delivery of this verdict by seeking a dissolution, and that he was thereby proposing to use the Crown as an instrument to prevent Parliament from exercising its rightful privileges and performing its proper functions. Their case will be that Lord Byng, faced with unprecedented circumstances, should not be blamed for departing from the strict letter of constitutional formalities, and that his decision was dictated by plain common sense and ordinary standards of fairplay.

The Liberals will not accept any such curt dismissal of the constitutional issue which has been raised. While they will not deny that grave scandals in the public service have been revealed, they will maintain that the Liberal Government was doing its best to achieve reform as soon as it became aware of the conditions, and before the question was raised in Parliament ; that no satisfactory evidence has been adduced to bring responsibility home to the Cabinet in general or to any of its members after the reconstruction of 1925 ; and that the Conservatives are making party capital out of an investigation only partially completed which should be conducted in a judicial spirit. They will claim that the customs issue is of small importance compared with issues opened by the action of the Governor-General and Mr. Meighen. They will argue that the course of politics in Great Britain, and especially

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the events of the last three years since Mr. Baldwin appealed to the people in 1923, have shown conclusively that the royal prerogative of refusing dissolution is as dead as that of vetoing legislation; that if the prerogative is dead in Great Britain and alive in Canada, equality of status has not been achieved; and that Lord Byng, in employing powers which His Majesty no longer uses, and Mr. Meighen, in accepting office in such circumstances, have together set back the clock and have departed from the principles of responsible government achieved after so long a struggle. They will refrain from any direct attack on Lord Byng, but they will limn him as the simple victim of Mr. Meighen's wiles. They will concentrate attention chiefly on the steps taken by Mr. Meighen since he assumed office rather than on the refusal of dissolution to Mr. King. The burden of their charges may be given in Mr. King's own words in the opening speech of the campaign :

Having ignored Parliament by assuming office without being in the least entitled to its confidence, having defied Parliament by seeking to impose upon its members the subterfuge of a phantom Ministry and continuing to govern with a Ministry declared by the Commons to be infringing the privileges of its members, having insulted Parliament by summarily closing its doors in the face of honourable members of both Houses, having made the representative of the Crown in Canada a party to all these illegal, invalid and unconstitutional acts, the self-appointed Prime Minister then proceeds to enlarge the Cabinet which Parliament had put out of existence before its untimely birth. I know of nothing in British history comparable to this since the days of Charles I. It may be all very dramatic, very daring, but there is not a vestige of constitutional right or power which it does not undermine.

It is an issue of great subtlety, depending for its proper comprehension on a nice understanding of the working of the conventions of the Constitution, and it can hardly be stated in a simple form suitable for the judgment of a large democratic electorate. The leaders on both sides may be able to present it without distortion, but on many a platform it will be over-simplified in such a way that its

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real meaning vanishes. Already the *Toronto Telegram*, the organ of a peculiar but rampant Toryism, is denouncing everyone who dares to imply in the mildest manner that Lord Byng's actions have been open to criticism, as disloyal to the Crown, traitors, separatists, and so on, sentiments echoed in many an Orange lodge. In Quebec, on the other hand, Mr. Pouliot, M.P. for Temiscouta, forebodes that blood may have to flow ere Canada's lost liberties are restored; and Mr. Deslauriers, who sits for a Montreal riding, asks dramatically: "Is this the recompense for 65,000 Canadians being left on the battlefields of Europe—to pass from an autonomous Dominion to a mere colony which is now governed by a man outside Canada?" Mr. Bourassa, who is running once more as an independent but is warmly supporting the Liberals on this issue, calls the events of the end of June a *coup d'état*. "Beware," he said to his constituents, "of to-morrow. If you allow a Governor-General, a subaltern of the British Government, to accord and refuse dissolution as he well likes, and he decides which party shall be in and which out, you will wake up to find that Downing Street will be the judge in Canada's political matters."

Partisan spirit is running high, and the campaign has not yet fairly begun. The *Toronto Globe*, the historic champion of liberalism which has for some time been following a policy of critical detachment, interjects a calm and reasonable note into the controversy:

To speak frankly, *The Globe* believes that it was unfortunate that the representative of the Crown, even under the unusual and stressful circumstances confronting him, essayed to appoint his adviser. . . . If His Excellency erred, his error was technical in character. It is ridiculous to suppose that he sought in any way to establish gubernatorial autocracy, or to menace self-government. A dignified protest would have protected the principle at stake. No right was denied the people. Within four days the dissolution asked for by Mr. King was granted to Mr. Meighen. The electors themselves are to determine who shall carry on the government of the country. It is not His Excellency's fault that we conduct our

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political elections in such a way that it pays a party to have control of the election machinery. This is where the shoe pinches. To be honest about it, it is the political and not the constitutional aspect that concerns both parties. . . . Consistent only in attachment to and eagerness for office, the two parties did much to bring about the intolerable situation by the frenzied anxiety of each to secure the tactical advantage of naming the date and the terms of the election and of controlling the election machinery. And here there is scope for real and radical reform.

It seems to be unlikely that the Conservatives will be able to improve their position in Quebec substantially, while on the other hand the Liberals will probably not be able to make much impression on the almost solid Conservative front in the maritime provinces, Ontario, and British Columbia. The chief uncertainty is in the prairie provinces. The Progressive party, which derives nearly all its strength from these regions, has not emerged with much credit from a session during which it was split into irreconcilable factions; but the predictions now freely made about its impending obliteration are premature, for it has just swept Alberta in a provincial election, and it has a powerful ready-made organisation in the co-operative wheat-pools. The Liberals profess their intention of offering no opposition to such Progressive members as stood loyally by them, and the Conservatives will extend a similar consideration to their allies. But the *Manitoba Free Press* is actively upon the war-path, asserting that through the combined action of Lord Byng and Mr. Meighen constitutional issues long kept in the background have emerged, and that the time has come for a general clearing of the constitutional *débris* which now clogs the mutual relations of Canada and Britain and leaves the former in a state of unworthy political subordination. If three-cornered contests are eliminated in the prairie provinces the Conservatives, instead of making gains, may have some difficulty in retaining the nine seats which they now hold, unless they can devise bold policies in connection with immigration and co-operative marketing and can convince

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the western voters of their sincerity in advocating them. If Mr. Meighen cannot make gains in the prairie provinces, the result of the present contest is not likely to be materially different from the outcome of the last, and some other means must then be found of ending a state of deadlock which has come to try the nerves of the Canadian people.

The late session gave striking evidence of the hopelessness of expecting any serious attention for Imperial and international problems from politicians who are absorbed in bitter domestic controversies, and its sudden termination precluded the possibility of any discussion about the problems likely to arise at the next Imperial Conference. Mr. Mackenzie King, however, secured unanimous endorsement from the House of Commons for a resolution asserting the principle that no Government henceforth should bind Canada by a treaty or other diplomatic engagement without first securing the authority of Parliament. In his speech he intimated the indisposition of his Government to endorse the Locarno Pact; but the debate was singularly unilluminating, and no Conservative of any standing save Mr. Cahan participated in it. Obviously external relations will only receive adequate consideration when a stable Government reigns at Ottawa.

Canada. July 24, 1926.

## AUSTRALIA

### I. THE IMPERIAL CONFERENCE

THE three years that have elapsed since the last Imperial Conference have left Australia unchanged in her conception of Imperial relations. The difficulties and embarrassments that arose between the British and Canadian Governments on the Lausanne Conference and the Turkish Peace Treaty, and again on the London Conference on Reparations, are matters of which she has been directly aware but of which she has not been conscious as matters vital to or even concerning her. That is itself significant. In part, it means that Australia in her consideration of Empire relations thinks primarily of things economic. As to constitutional relations, we are well enough content with things as they are, without concerning ourselves overmuch with what they are, or whither they tend; in fact, the prevailing disposition is to deprecate the discussion of such matters and to leave well alone. It is "*l'Empire sans doctrines*." The incidents which stirred the Canadian Government so deeply were as much "matter of grievance" for the Commonwealth as for the other Dominions, if the Commonwealth Government had chosen to make them so. But the Commonwealth Government has not believed that co-operation in substance was to be attained through emphasis on separate nationhood, or by insistence on the forms of co-operation in relation to foreign countries. In this, it has, of course, been helped



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by the freedom of Australia from those racial or religious problems which affect Canada, South Africa, or the Irish Free State. Nor is there anything in her external relations to tempt Australia to weaken the relation with Great Britain. She is remote indeed from Europe, but her geographical situation does not encourage the notion of complete security in independence, or of inclusion within a political system which is non-European, as might be the lot of Canada. Her economic system, like her political, is European; her prosperity and the maintenance of her standards of living make European peace a vital interest for her. No Government has shown any desire to separate itself from the foreign relations of Great Britain in essential matters. It may be recalled that in 1919 the Australian Government accepted rather than desired "separate representation" at the Peace Conference; and though membership of the League of Nations is now a familiar fact, Australians have not regarded it as fundamentally altering their status within the British Empire. If it has been considered at all from this standpoint, it has been rather with doubt and hesitation as to the wisdom of the course taken than with the proud consciousness of achievement. The Commonwealth accepted the obligations of the Anglo-French Security Treaty of 1919 and the Straits Convention of the Treaty of Lausanne. It is not seriously challenged that if Great Britain is at war, Australia is at war. The dependence of the essential interests of the country—her political security and control over her destinies, her social conditions, and her development—upon the security and welfare of Great Britain is so obvious, that it is a mere matter of self-preservation for Australia to do her utmost to assist Great Britain if these interests were imperilled by a great European war. Thus the question of adherence to the Locarno Pact by Australia has not excited any great amount of interest. It will be discussed in the Commonwealth Parliament before the delegates depart for the meetings of the League of Nations

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Assembly and the Imperial Conference. But the Government will not decide—Mr. Bruce has announced—until the matter has been discussed at the Imperial Conference.

The notion of treaties imposing obligation on one part of the Empire only, embodied in the Conference resolutions of 1923, has been carried to great lengths. The British Government's general treaty with the Russian Soviet, the treaty of guarantee embodied in the Locarno Pact, and the Canadian Government's contention that the Treaty of Peace with Turkey belongs to this class, are singular applications of a resolution presumably adopted for treaties of a subsidiary and local nature. This notion has in effect been applied by Great Britain as a *modus vivendi* to make a practicable diplomacy in face of the inadequacy of the machinery for Imperial consultation. It may readily be used, however, not merely to undermine the diplomatic unity of the Empire, but to represent to foreign countries the breakdown of the system of co-operation. From this latter standpoint, it is deplored by General Smuts. By General Hertzog it is acclaimed as the acknowledgment of the dissolution of a political entity within which equality in fact was impossible, and the persistence of which perpetuated suspicions and alarms which were themselves a principal barrier to effective co-operation.

The recent declarations of General Hertzog as to his intended action at the Conference may require the Commonwealth to define its attitude more explicitly than it has yet done on the general question of the status of the Dominions in international relations. While anxious that there should be an agreement upon fundamentals and aware that a uniformity in Dominion status has both conveniences in practice and advantages in fostering the spirit upon which the will to co-operation depends, the Government of the Commonwealth will not allow itself to be drawn into line with General Hertzog's declaration of independence, whether it be in the name of nationalism

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or of co-operation. The notion of a dual-Kingship over countries otherwise separate and independent was rejected when the Irish Free State was formed within the community of the British Commonwealth of Nations. Certainly Australia would not ally herself with any movement which placed her outside the British Commonwealth. If South Africa, or any other Dominion, desires to go so far, Australia at present will not follow. That much at least may be taken as certain.

The positive policy of the present Australian Government has been fairly well indicated. It is to improve by all practicable means the present system of consultation. It has developed its organisation at the Australian end, and the experiment of a *liaison* officer in London has worked well. Mr. Bruce is not dissatisfied with the means in existence for keeping the Australian Government informed; he has compared his position in this respect with that of a Cabinet Minister in Great Britain. The disadvantages of which he is conscious are a certain inability to realise the "changes of atmosphere," and the fact that information has sometimes arrived too late for him to form a considered opinion on matters on which his advice was sought. These difficulties, he has suggested, might be met by such a change in the High Commissionership as would make it approximate to a political and diplomatic rather than a consular and commercial office, by the appointment of a representative who will be able to advise the British Government of the Australian "atmosphere," and thus assist them, while at the same time keeping the Australian Government advised of the general trend of affairs and policy, and preparing them for the consideration of the specific matters on which they are likely to be consulted. This is what the Prime Minister appears to aim at when he speaks of the need for some one in an "ambassadorial position" in Great Britain. The appointment of an ambassador or diplomatic agent in a technical sense would hardly accomplish the purpose of intimate

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consultation and interchange of information ; it might make intercourse more formal and less intimate, and encourage a notion of separatism which might easily, even towards foreign Powers, embarrass rather than assist relations. The alternative plan of appointing an Australian Minister to reside continuously in London has been condemned by Mr. Bruce : the representative must be subject to the responsible Government, not a part of it.

But is all this anything more than the standpoint of the Australian Government of to-day, and does it take into account the attitude of the Labour party, which may be responsible for Australia's policy in a year or two ? Undoubtedly there is a disposition in the Labour party to frame its policy on questions not immediately concerning social and economic affairs on a principle of "sheer repulsion" from its opponents. Even if this were not so, the natural tendency of such a party is to believe that all would be right as right could be in international relations if you had no foreign policy. That view is dispelled by a little experience. It was obvious to everyone in Australia, as elsewhere, that the advent of the Labour Government in Great Britain abated nothing of the importance or the difficulties of foreign policy. No British Ministers have been so outspoken as Mr. MacDonald and Mr. Thomas on the embarrassments of the present state of Imperial relations, and their mischievous effect upon foreign relations, or have been more earnest in seeking a workable plan of consultation and co-operation. Mr. Ramsay MacDonald's private committee for drawing up a common Labour policy on preference, immigration, and other Empire problems, shows that Labour in England, in opposition as in office, recognises the British Commonwealth as an asset and a problem. The conference of the Labour parties and trade unions of the British Commonwealth held at the House of Commons in July 1925 is to re-assemble in July 1927, when organisations have had the opportunity of preparing for it after consideration of the

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discussions of 1925. In Australia, the result of all this will probably be an attempt to substitute for the mere negations or professed indifference of the past a Labour policy of co-operation within the Empire. In any case, Australian Labour leaders would recognise that a declared policy of separation from the Empire would be fatal to those who based an appeal to the electors on it.

The Assembly of the League of Nations will meet a few weeks before the Imperial Conference. The Australian Government has, in answer to the Secretariat of the League, stated its views concerning the composition of the Council. They are that the number of members should remain small, that the permanent seats should be restricted to the Great Powers, that Germany should have a permanent seat, and that, generally speaking, rotation should be observed in the case of non-permanent members, but not so as to form an inflexible rule and not so as to base it on any rigid plan of geographical representation. Moreover, the Australian Government declares itself against any modification of the principle of unanimity within the Council. But there is one matter concerning membership of the Council which directly affects the British Empire. Under the Covenant, the "British Empire" is a member of the Council. In practice, that designation appears to have been treated both by the League and by the several Governments within the Empire as though it were "Great Britain," which, of course, is not by itself a member of either Council or League. The result has been to dissociate the Dominions from the proceedings of the Council, to encourage a "European view" in the British Government, to disinterest the Dominions in the work of the Council, and to foster in the League itself the notion of the separateness of the several members of the British Empire. This result is unfortunate and appears to be contrary to the original intention as embodied in the Covenant and as illustrated by the actual proceedings at Paris in 1919.

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The constitution of such a representation of the British Empire for the purposes of the meetings of the Council as was in use at Paris in 1919 or at Washington in 1922 seems well worthy of consideration. It would in the case of Australia be assisted by a change of the function of the High Commissioner, and his association with the British Empire work in the Council of the League would enhance the value of the office to the Australian Government.

The economic side of the Conference will, however, attract more attention in Australia than its political and constitutional deliberations. The enforcement of dumping duties in South Africa and Canada against some Australian products has emphasised this aspect of Imperial relations. To most people in Australia by far the most important feature of an Imperial Conference is the prospect of Imperial economic co-operation.

The policy of fostering Australian manufactures by a high tariff has steadily increased the cost of living, and this has burdened the primary producer. To counteract this, and to offset the lure of the city, the Government is endeavouring to secure for the man on the land a better market for his produce by means of pools, bounties, and inter-Imperial preference. Until a wider and more stable market is assured migrants, unsystematically and indiscriminately added to the population, may add to secondary and urban industries a supply of labour greater than can be absorbed by any expansion of those industries which can be reasonably expected. These are the considerations which underlie Mr. Bruce's slogan "Men, Money and Markets," and which account for his strenuous advocacy of Imperial preference in 1923. In essentials the Australian situation has not changed since then, nor has the Prime Minister's policy. But has the situation changed in Britain? Mr. Baldwin's coquettings with preference at that Conference are said to have been a big factor in the advent of the MacDonald Government in 1924.

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Whether he is disposed to risk offending British free trade sentiment again, at the instance of Dominion statesmen, should be revealed at this Conference. Meanwhile it is significant to notice that in the pages of the recently established *Economic Record* for Australia and New Zealand the case for free trade has not altogether gone by default. There appears to be a small but growing body of opinion in Australia that Mr. Bruce is starting from the wrong end, and that the real solution of the problem of finding markets for our primary producers lies in the direction of moderating the high protective policy to which Australia has been committed by this and previous Governments.

### II. FEDERAL POLITICS

MR. BRUCE and his colleagues have already shown that they intend to carry out the promise made to the electors last year that the life of the tenth Federal Parliament would be a busy one. In the first session, which was begun in January and subsequently interrupted by a long adjournment, a number of important measures have been introduced, some administrative and others involving notable changes in the relations of the Commonwealth and the States. Of the administrative measures three should be particularised. A Bill has been introduced with the object of reorganising the government of what has hitherto been known as the Northern Territory. Three Commissioners are to be appointed one of whom must have had a training in medicine. Their duties will be to frame a comprehensive scheme of development in which will be included the construction of railways, roads and telephones, and to carry it out subject to the general control of the Commonwealth Parliament. For the present the Northern Territory mean area of about half a million square miles will be divided into two parts known as Northern and Central Australia, each approximately half a



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million square miles in area, but it is possible that portions of Western Australia and of Queensland may subsequently be placed under the control of the Commissioners so that the whole of tropical Australia may be under one jurisdiction. Mr. Bruce has spoken in the most hopeful terms of the pastoral and mineral wealth that may be developed in the Northern Territory so soon as it is linked up with the more populous districts by rail. The Northern Territory has been the cause of many disappointments in the past and Mr. Bruce's optimism is not shared by all the experts. His policy of finding the best men and giving them a free hand should enable a reasonable judgment to be formed as to whether these failures are attributable to mal-administration, to lack of transport facilities or to defects of soil and climate.

Another Commission is to be appointed to take charge of migration. It cannot have complete control of settlement since unalienated lands are under the control of the States, but its power is very wide. It will initiate and supervise developmental and industrial schemes connected with migration, report on what districts are suitable for settlement, what lands are available, which industries deserve encouragement by tariffs, bounties or otherwise. Parliament may reject any scheme approved by the Commission, but Parliament may not carry out any scheme which the Commission has rejected. The Commission is thus in much the same position as the Public Works Committees of the States, whose approval is essential before any important public work may be submitted to Parliament. The success of the Commission must depend on its personnel and Mr. Bruce has made it clear that he will look for the best men whether in or out of the Civil Service. The third Bill will provide a permanent endowment for scientific research under the auspices of the Commonwealth Bureau of Science and Industry and for the reorganisation of the Bureau. The changes are the outcome of a report by Sir Frank Heath who recently visited Australia at the

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request of the Federal Government, and the amount is £250,000. The Institute will be advised by a Committee of distinguished experts and it is thought that the substitution of a permanent endowment for annual and uncertain appropriations will remove one of the most serious obstacles to its usefulness.

Of the Bills dealing with the relations of the Commonwealth and the States one only requires to be submitted to the people at a referendum. Since 1910 the Commonwealth has been under an obligation to pay to each of the States the sum of 25s. per head of its population. This obligation is not imposed by the Constitution and an amendment proposed with the object of inserting it there was rejected at a referendum. It is imposed by the Surplus Revenue Act passed in 1910 to remain in force for ten years and thereafter until the Federal Parliament should otherwise decide. Since 1920 Commonwealth Ministers have sought to come to an agreement with State Ministers under which the States would consent to forego the *per capita* payments in consideration of the Commonwealth curtailing its direct taxation. These negotiations have failed in the past, partly owing to disputes as to the exact effect of the change on State taxation and partly owing to the claim of the State Treasurers that they are morally entitled to a share in customs revenue. This year Dr. Earle Page, the Treasurer, his first proposals having been almost unanimously condemned by a conference of State Ministers, has brought down a modified scheme under which the Commonwealth will cease to make the *per capita* payments, will abandon land taxes and estate duties and will cut down income taxes to 40 per cent. At the time of writing these proposals have not been discussed in the Federal Parliament. Their reception at the hands of State Ministers has been generally hostile. It is said that so far from the change conferring a benefit on the States as the Federal Treasurer claims, it will compel the individual taxpayer to pay more than he has hitherto paid

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to both Treasuries combined. Some Ministers reiterate the charge that when on the establishment of the Commonwealth the customs were assigned to the central Government it was understood that the States, which remained in charge of some of the most important services, would always be allowed to participate in the revenue from this source. Another and possibly a more serious objection is that the Commonwealth cannot guarantee that it will not be compelled to return to the fields now abandoned. During the past few years customs revenue has steadily risen. The Commonwealth Treasury has enjoyed a number of surpluses from which it has been able to reduce direct taxation, to pay off instalments of the Commonwealth debt, to earmark a defence fund and to assume one of the functions of the States by embarking on a policy of road construction. But customs revenue depends on the maintenance of a constant stream of imports in spite of a high protective tariff and these imports must be to a large extent the product of loans raised externally. It is suggested that if the States ceased to raise their loans abroad or if for any other reason customs revenue fell away, the Commonwealth would be compelled to return to the fields which it has now abandoned, and the taxpayer would be doubly penalised. If the customs revenue ceased to be sufficient for the Commonwealth, it is improbable that the States would lose much by being excluded from it, and the Commonwealth Treasurer regards the danger as negligible. He describes the dependence of the States on the Commonwealth revenue as an absurdity, and insists on the benefits that must accrue to the taxpayer when the body which decides on expenditure has the sole responsibility for raising the taxes to provide for it. There is a wide difference between experts as to the immediate results to the taxpayer, but it is clear that the more ungrateful rôle has been assigned to the States. Australians are apt to regard increasing prices produced by a high tariff as the outcome of the national policy, and to accept them cheer-

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fully. Increases in income tax or land tax they are more likely to look upon as the result of government extravagance and to resent. The change will involve extensive adjustments in methods of taxation, and it would have been more reasonable if Dr. Earle Page had postponed his proposals until the constitutional session at the end of the present Parliament, when amendments will be brought forward with the object of transferring some of the State departments and of founding new States.

The second constitutional proposal is for a radical amendment of the Federal Arbitration system, and will involve a referendum. That provision of the Constitution which gives the Commonwealth an arbitration power has disclosed more difficulties of interpretation than all the rest of the Act. For many years the Court was hampered by what the President called a Serbonian bog of technicalities. Some of its impediments have been removed by Acts of the Commonwealth, but there are some restrictions on its authority which flow from the wording of the Constitution, and cannot be removed without an amendment. The Court cannot act except in relation to a dispute existing or impending. It cannot deal generally with wages or conditions of labour. Its awards are not like those of a State Court binding on all persons engaged in the industry covered by them though all such persons may be made parties if served. The award of a Federal Court is at present binding only on applicants or respondents. It cannot be made a common rule. The Federal Court, moreover, cannot adjudicate on disputes which do not extend beyond the boundary of one State, and it cannot provide for the discussion or settlement of conditions by such bodies as the Whitley Councils. Mr. Bruce now proposes an amendment of the Constitution which will give Parliament the right to establish boards or courts with wide powers for settling disputes and for defining conditions of labour throughout Australia with the right to make all adjustments rendered necessary by differences in geo-

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graphical conditions. Mr. Bruce has expressed a desire that the measure be treated as non-party, and it is impossible to say what modifications he may accept in order to make his proposals satisfactory to all parties. As introduced, the Bill was intended not to give the power of regulating industrial conditions to the Federal Parliament, but to place it in the hands of courts which the Federal Parliament may establish. The importance of this distinction will appeal to anyone who has experienced the effect of bringing disputes about wages and hours before the State Parliaments instead of before the State Courts. Labour is at present divided in its attitude, some of the Federal leaders being in favour of the amendment, the State parties being on the whole against it. Nationalists in both the Federal and State Parliament are against it, thinking that it would be better to restrict the powers of the Federal Court to eliminating differences between State awards, and dreading the introduction of industrial bitterness into the Federal Parliament. He can, however, count on the support of large numbers of employers and employed who have suffered from overlapping and conflicting awards, and are influenced mainly by the belief that if the Federal powers are strengthened their difficulties will be removed.

This latter proposal has been brought forward now instead of being postponed until the constitutional session, because of the outbreak of a strike in New South Wales, arising out of a conflict between Federal awards and State legislation. The State Parliament passed an Act providing for the establishment of a 44 hour week in all except a few specified industries, and referring particularly to industries governed by Federal awards. The Act provided that men working in these industries should work 44 hours and be paid at the rate awarded for 48 hours. This provision was tested by the employers, who argued that in so far as a State Act was inconsistent with a Federal award it was invalid. This argument was upheld by a majority of the

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High Court, and the decision was followed by a strike in the industries, the employers declaring that they must follow the decision of a properly constituted Court, the employees that they were bound to enjoy the benefits conferred by the law of the land. Ultimately both sides abandoned their principles, the men agreeing to accept 44 hours pay, the employers agreeing to accept 44 hours work, the employers to decide whether these hours be worked on five days or six. It is suggested that if the proposed amendment to the Constitution had been in force this strike would have been quickly settled, or might never have occurred. Whether this belief is correct or not, it is undoubtedly true that this strike increased the number of those who wish to see the control of industries removed from the States and placed under the Federal Parliament.

### III. LABOUR ORGANISATION IN NEW SOUTH WALES AND THE RECENT CONFERENCE

**L**ABOUR'S political affairs have been brought sharply to the front by the Annual State Conferences of the Australian Labour party branches in Victoria and New South Wales, and by the Queensland Labour party's fifth successive victory at the polls early in May. Labour has not been displaced from power in the northern State since it took office in 1915. It is intended in this article, however, to confine discussion to the general question of the political organisation of the Labour party, especially as it has been illustrated by the New South Wales Political Labour Conference held in Sydney at Easter.

A great deal has been written for and against the Labour system of members of Parliament pledging themselves to vote as their party directs them. It is not proposed to debate here the question whether members of Parliament should be delegates. In theory we may prefer that they should be senators. In practice we have to admit that they

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are everywhere increasingly becoming delegates. But the real innovation made by Labour in Australia is to place the final control of a political movement in the hands of its Annual Conference—which is an *extra*-parliamentary body. The pledge was given to vote as the majority of Caucus might decide. Caucus was the body consisting of all the Labour members of Parliament. But very early in Labour's Parliamentary history it was recognised that Caucus was not supreme since its acts and decisions were to be reviewed by Conference. While Labour was a third party in the Legislature, and even while it was the official Opposition, there was not much room for criticism by Conference of the acts of Caucus. But when Labour became the Government the situation changed. The Parliamentary party could then legislate the platform into actuality. Why did it not do so? Conference after Conference attacked the Parliamentarians with vigour for their shortcomings. The Parliamentarians defended themselves with acerbity and adroitness. Sometimes they snapped their fingers at Conference, but in the end Conference prevailed, and has now established its right to the sovereignty of the political Labour movement. When it is not sitting it delegates its authority to an Executive to which the Parliamentarians must defer. For with the Executive, although it is responsible to Conference, remains the power of binding or loosing—in other words, it endorses or rejects candidatures for Parliament, and in order to emphasise the sovereignty of Conference that body has decided that no member of Parliament can be a member of the Executive.

In these circumstances, the Parliamentarians have changed their tactics. Following a brief phase of hectoring or even defying Conference, they have addressed themselves to the task of ensuring that Conference shall elect an Executive with which it will be possible for them to work amicably. On paper there is no reason why this should not be done. Practically, the difficulty is that Labour in Australia—and in New South Wales especially—



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is far from being a united body. The relations of the various parties inside the Australian Labour movement since the War have already been indicated in THE ROUND TABLE.\* Little need be added here. There are two lines of division between the various parties in New South Wales. The first is that between the reformists and the revolutionaries. The Communists—a small and relatively insignificant faction—have been expelled from the Australian Labour party (A.L.P.) altogether. There is however, a certain group of their sympathisers, led by the extreme section among the trade unionists, which at present controls the Sydney Trades and Labour Council. This constitutes the left wing of the A.L.P. The rest can be grouped together, in principle, as a right wing. But inside this right wing there are violent factions based on personal animosities.

The Australian Workers' Union (A.W.U.) is the largest and most important Labour industrial organisation in Australia. Its huge membership and the influence its rural organisers are able to exert upon the country electoral leagues have given it considerable power in the annual conferences of the A.L.P. Many of its officers have been elected to Parliament, and of late years it has tended to dominate the Executives of the party in New South Wales. But in 1923 it suffered a severe reverse. Its hold on the Executive was broken. Four of its leaders were expelled from the movement on the charge of manipulating pre-selection ballots by means of fraudulent ballot boxes. As far as the A.L.P. was concerned, the A.W.U. was driven into the wilderness. It has been trying to get back ever since. At the conference held in Sydney at Easter this year, careful plans were made to oust the existing Executive, the majority of which was in open hostility towards the leaders of the A.W.U. It was decided to ally with the left wing group which centred round the Trades and

\* THE ROUND TABLE, No. 46, March 1922, pp. 409-415, and No. 52, September 1923, pp. 851-860.

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Labour Council. The alliance was most unnatural, the social philosophy of the allies being quite incongruous. To meet this, the Executive formed an alliance with a small group of critical and able trade union officials. The Labour Parliamentarians, professing to stand above the battle, were nevertheless uneasy. The Premier, Mr. Lang, after his scathing denunciations of the Communists and their allies within the A.L.P., could not have contemplated the possibility of the extension of their influence to the Executive of the party with any complacency. He was, moreover, on friendly and intimate terms with the majority of the existing Executive.

The opening of Conference thus found the delegates in two groups—the A.W.U. with the left wing, against the old Executive with a small band of trade union officials. The former group was plainly in a majority. The old Executive was defeated in division after division. Little real business was done. Hours passed in mutual recriminations, in trials of voting strength on unimportant issues, and several times Conference degenerated into a bedlam of yells and disorder. On the third day the President of the New South Wales A.L.P. who was in the chair, and who was regarded by the A.W.U. as its bitterest enemy, was triumphantly dethroned on the ground that he had recently been made a member of the Upper House, and was ineligible for office. The leader of the left wing section was then elected as a Vice-President for the remainder of Conference. On the next evening the Premier came down to address the delegates on his stewardship. Avoiding all internal contentious matter, his speech was a masterpiece of opportunism. It was largely concerned with his attempts to abolish the Upper House, and his proposals to carry out the platform for the party, but it offered the Labour movement no advice on the very arduous business of governing itself, except to plead that Conference should not embarrass the Government.

But the prospect of Communist sympathisers on the

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Executive was too much for the Parliamentarians. A process of mediation between the opposing factions began. Powerful influences were brought to bear on the A.W.U. and the old Executive party, and the fifth day of Conference revealed that a complete *volte face* had been achieved. It was evident that the rivals had yoked themselves in an uneasy alliance for the purpose of "dishing the Reds." And so it proved. An old Executive nominee became president, and the new Executive consisted of 17 supporters of the outgoing Executive, 15 supporters of the A.W.U., and Mr. O'Reilly, the leader of the group of trade union officials already referred to. Not one of the 30 nominees of the left wing group was successful, and the Premier will be free from the embarrassment which must have awaited him had the original combination between the A.W.U. and militant groups been continued. The official organ of the A.W.U. frankly says that the eleventh hour merger between its leaders and the old Executive, which they had been attacking, was undertaken at the instance of Mr. Loughlin, deputy leader of the Parliamentary Labour party and with the approval of the Premier.

But the merger was short lived. The discussions following the elections revealed the old cleavages. And on the tenth day the Conference was adjourned by the new President amid a riot of protests and scufflings and yells. More than a hundred of the protesting delegates assembled next evening and endeavoured to carry on, but the only result of their deliberations was a motion of censure upon the President for unconstitutionally closing the Conference.

An attempt has been made to show that the characteristic contribution of Australian Labour to political organisation has been the creation of a Parliamentary party governed by an *extra*-Parliamentary conference of delegates. This has been criticised as an undermining of representative government, since the Conference is not responsible to the electorate. Labour replies that the Conference itself

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is a representative institution, that the electorate knows about it and is able to reject Labour candidates if it disapproves of the idea. But if we accept this defence, it is pertinent to enquire what sort of a body this conference is and how it functions. The recent Labour Conference in Victoria would pass this test satisfactorily, but the most ardent Labourite could hardly claim to be satisfied with the political quality of the Sydney Conference which we have just been describing.

It sat for ten days and it did nothing beyond deposing a president, conducting the election of officers for the ensuing year, and appointing a committee to examine a scheme of decentralisation for the A.L.P. brought forward by country delegates. It did not consider one item on the voluminous agenda paper, and it actually did not adopt the annual balance sheet and report of the outgoing Executive. It would seem that this must react upon the party's prospects in the electorate. To what extent it will affect those who usually vote Labour it is quite impossible to predict. In the past, internal quarrels have not shaken the essential solidarity of the party at the polls. But Labour is placed in power in Australia, not by the votes of its supporters alone, but also by a floating middle vote of moderate people who refuse to label themselves as supporters of any political party. The present Labour Government, during the rest of its term of office, may be able to persuade this middle vote to continue its temporary allegiance to Labour at the next election, but it can hardly be denied that Mr. Lang will be carrying a very heavy handicap as a result of the unseemly brawl which passed for Conference this Easter.

Australia. June 22, 1926.

## SOUTH AFRICA

### I. "WHAT IS KNOWN AS THE FLAG ISSUE"

ANY account that can be offered at this stage of the storm which has raged around the Union Jack must necessarily be taken as provisional. Political parties are still very largely distinguished by their respective attitudes towards the British Commonwealth, racial feeling is by no means dead, and a tragic history has left abiding effects in passions that slumber for a while but are stirred easily into fierce action. Until this last storm has died away it is not possible to cast up with any accuracy the estimate of its consequences.

Its progress has, however, illustrated in unmistakable form two outstanding features of our present political condition. One is the weakening of the older issues before the pressure of the great permanent problems of the country. Even among Nationalists there is a growing tendency to deprecate the raising of academic constitutional issues in such a way as to distract attention from great and pressing needs such as the stimulation of agriculture, the reclaiming of the "poor whites," the safe steering of the country into the strange new sea of industrialism, and, above all, the formulation of a permanent *modus vivendi*—economic, political and social—as between white and black.

Two years of actual experience of government have tempered the exuberant enthusiasms of Opposition days for

## **"What is Known as the Flag Issue"**

spectacular vindications of a formal "independence," and General Hertzog himself has more than once declared that secession from the Commonwealth would be a "disaster." So, too, the National Council of the Labour party in the very perplexed resolution it has recently adopted on the "flag" question begins by regretting "the introduction of any matters which may revive racial strife and which divert the attention of the people from their economic needs and from the struggle for the establishment of white standards of life in South Africa." It then proceeds, in set terms and with small regard for the lacerated feelings of the Minister of the Interior who is responsible, to "regret the dissensions caused by what is known as the flag issue."

There is a sting in the last seven words, and there can be no doubt that many South Africans who have no sympathy with the National Council would agree with the implication that our small handful of whites might well be better employed than in the devising of fancy flags to quarrel about. This feeling is undoubtedly strong and not a few Nationalists share it.

The other tendency that has been thrown into relief by the flag dispute is that which has found expression in "South Africa alone." The tendency takes the form of a ludicrously exaggerated faith in the efficacy of a majority in a South African Parliament to decide great issues which are not purely South African at all, but involve the Commonwealth and, indeed, the whole world. Some part of it may be due to a sense of power supervening upon long years of Opposition, but the main cause of it is just inexperience. Failure to press through the Asiatics Bill, unexpected difficulties with the Colour Bar Bill, and now the almost panic-stricken withdrawal of the Flag Bill, all represent so many painful purchases of a dearly bought experience. Fortunately there are welcome and increasing signs on the Government side of readiness to learn. Indeed that is why no final word can yet be pronounced on "what is known as the flag issue."

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The history of the thing may be briefly told. The almost hieratic protagonist of the whole movement is Dr. Malan, Minister of the Interior, and leader of the Cape Nationalists. Towards the end of the session of 1925 he introduced a Nationality Bill in which was included provision for a South African national flag. The Government realised that such a project required that some common agreement should first be reached and so discharged the Bill on the understanding that before it was reintroduced in the ensuing session a Committee representative of all parties should meet to choose a design. (For every party is committed to the principle of a national flag.) In the meantime designs were called for, and the competition appears to have produced some startling feats of amateur heraldry. The Committee considered them and split hopelessly on the crucial question of the inclusion of the Union Jack. The South African party could not possibly agree to its exclusion; the Nationalists professed themselves, on sentimental grounds of past history, as quite unable to admit it; Labour, bent chiefly on maintaining the Pact, but fearful of its English supporters, looked round for a compromise. This was found in the recommendation that the Union Jack should be retained as the symbolic Commonwealth flag, to be flown on official occasions where South Africa's relationship to the Commonwealth was involved. The flag chosen for South Africa was an arrangement of four bars of colour to represent the four provinces. It included nothing to symbolise the British Crown or to relate the Union to other British Dominions, though such inclusion had been strongly urged on the Government by disinterested advisers. The statement, however, that the design was simply the old *vierkleur* of the Republics rearranged shows as little knowledge of the *vierkleur* as it does of the general exigencies of heraldry. There are flags of European countries to-day which resemble the *vierkleur* more than this flag does.

This, however, is a small matter. When the Committee



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had reported its inability to agree, the compromise mentioned above, the Pact plan, was incorporated in a Bill and introduced into Parliament with a characteristic speech from the Minister of the Interior. Then the real explosion took place, and both the Pact parties seem to have been dumbfounded by its unexpected violence. They were clearly taken by surprise at the storm which the proposal to exclude the Union Jack had aroused. No doubt there were elements in the South African party which were ready to seize a party advantage from the situation, even though that involved some dragging of the Union Jack in the mud. But it was the Government's want of imagination that had given the party managers their chance, and no mere wire-pulling or journalistic stoking could, of themselves, have caused such a conflagration. Government had to recognise the reality and strength of the feeling that had been aroused, and the withdrawal of the Bill must have brought much-needed relief to an unhappy Labour party.

The debate in the House was most revealing, and, in all the circumstances, creditable. There was much frank speaking. At the same time there was evident a general desire to find agreement, and to avoid anything that might stimulate racial strife. The example of the House was not everywhere followed in the country, and much was said that revealed not only inability to appreciate the Nationalist standpoint, but the absence of any disposition to try. It is still impossible to say how far the determination to secure the inclusion of the Jack is quite uncompromising. The Prime Minister still appears to hope for settlement by agreement, though Dr. Malan declared he would rather have a flag without agreement than no flag at all. Moreover, there are a fair number of English South Africans, even outside the Labour party, who might be prepared for a compromise that omitted the Union Jack but placed beyond all doubt the acceptance of the Commonwealth, provided that such a compromise would help the cause of a united front in face of our common problems.

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But so long as the opposing formulæ retain their present shape the hope of a compromise is not bright. For while one section demands that the flag shall symbolise and sum up the past, the other demands a clean cut with the past and calls for a flag that will "look to the future," whatever that may mean. Superficially, the proposal to incorporate the Union Jack and the republican *vierkleur* in a South African flag seems reasonable enough. But, apart from insuperable heraldic difficulties, the proposal has the disadvantage that it would not bring unity. For the Union Jack and the *vierkleur* are not really parallel in the sense that the proposal takes them to be :—

1. The Union Jack is the flag of England and of other British Dominions. The *vierkleur* has only a South African existence.
2. So, too, with their historic symbolism. The one flag symbolises centuries of history. The other but a short episode.
3. The Union Jack is very much alive; the *vierkleur*, say the Nationalists, is dead; they wish to leave it undisturbed in its grave and not to link the future with a corpse, as they expressively put it.
4. Finally, the symbolism of the Union Jack, as the Nationalists maintain, is quite different for the two sections of the people. To one it means a great and glorious past, to another humiliation and suffering. These last claim that while it can command their respect it can never enlist their affection, can never be *their* flag.

To this, of course, it can be replied :—

(a) That many who shared in the time of suffering, like General Smuts himself, are ready to accept the Union Jack and to maintain that if the past is to be dead, it should be really dead. (b) That a brand-new Parliament-made flag would be no more likely to command affection and with a large section of the people might not even command respect.

Much may depend on the reality of the expressed feeling that the Union Jack is symbolic of too much suffering to be acceptable to many Dutch-speaking South Africans. At present we have to face the fact that the fusion of Union Jack and *vierkleur* is unacceptable as a basis of agreement.

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The offer of the *vierkleur* by one side is met by the other with “thank you for nothing!” and with the assertion that the “concession” is only a cover for the Union Jack. On the other hand the Nationalists are told that their repudiation of the *vierkleur* is dictated solely by a desire to exclude the Union Jack also. The offer to preserve the Jack intact as a flag to be flown on special “Commonwealth” occasions is not likely to reconcile the Opposition even if, as General Hertzog promises, the occasions are defined in a schedule of the Act, or even if, as the official Labour resolution demands, the two flags should receive “equal official recognition.” For what exactly is “equal official recognition” to mean? The whole project of two flags simply bristles with difficulties and the attempt to carry it out may well hinder rather than help that recognition of South African nationality by the world at large, which is the ostensible motive of the whole “flag” movement.

Probably the most satisfactory course would be to postpone the whole thing indefinitely. There are signs that many influential Nationalists are coming to this conclusion, and they will not lack encouragement from their Labour allies, for to Labour the dispute may well prove calamitous. A lengthy pause in the wrangle might bring at least two highly desirable results. It might bring the Nationalists to realise how deeply-rooted is the sentiment for the Union Jack among most English South Africans, and how free that sentiment is, in the vast majority of minds, from any taint of desire to dominate. Nationalists must, in time, realise that the “past” in that sense cannot be ignored.

In the second place, a pause for reflection might give opportunity for many English South Africans to discern more clearly than they do now what is real and genuine in the Nationalist point of view. If the Nationalist acceptance of the British Commonwealth is sincere and whole-hearted, and if, however, the Union Jack must always stand for painful and unhappy memories, it might be

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possible to devise a flag without the Jack which, nevertheless gives adequate expression on *the South African flag itself*, to the Commonwealth idea. For, sentiment apart, what must be demanded by honest believers in the Commonwealth is full recognition of the meaning of Union in 1910—the union of four provinces under the British Crown. To symbolise the South African Union on one flag, and the British unity on another quite separate flag is not true to the Union settlement itself. Whatever may be thought of the Union Jack, the Commonwealth must find expression on the *South African flag* in some form that is officially and generally recognised as the Commonwealth symbol. Otherwise, how should we stand in relation to the other Dominions? And, more important still, what kind of “future” should we be symbolising in the adoption of a flag for South Africa that excluded all reference to the Commonwealth as such in any shape or form? That is the real core of the matter. When there is talk of “looking to the future” in our new flag design, we have to admit that there is still too little agreement among us as to what that “future” is to be, to serve as an adequate basis for a flag acceptable to everybody. Nationalism has a unique opportunity to give final and convincing proof of its complete sincerity. The signs are not unhopeful, and South African life is an efficient teacher though a little pernickety at times.

## II. THE SESSION

THE Session of Parliament which has just ended was remarkable in the first place for the large volume of useful and (for the most part) non-contentious legislation that was placed upon the statute book; secondly, for the introduction in the last weeks of a few highly controversial measures, the passage of which strained the parliamentary machine almost to breaking point; and thirdly, for the fact that for the first time a joint sitting of both Houses

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was called to pass into law a measure which had been twice passed by the House of Assembly and twice rejected by the Senate.

Among the useful and largely non-contentious measures may be mentioned a long awaited Act for amending and consolidating the Company laws of the Union. This had been on the stocks for some years and had already passed through a Select Committee of the House of Assembly before the general election. Others were an Act amending the Criminal Procedure law, an Act providing for an extended system of agricultural credit, an Act amending the Naturalisation law and others of a minor character. A few points only call for special notice. The Act amending the Criminal Procedure law made an important change in the Act of Union by placing the control of public prosecutions directly in the hands of the Government. The Act of Union had set up in each province an official, designated as Attorney-General, in whom was vested the sole control of and responsibility for the public prosecution of offences. He was appointed by the Government, like other public servants, but could not be removed from office except for reasons to be laid before Parliament. The object was to remove the administration of criminal justice from any possibility of political influence, but it has been felt for some time that to remove from the Government of the day any responsibility for the initiation and conduct of criminal prosecutions might lead to disadvantages even more serious than the risk of political interference, more especially in times of civil disorder. The Act therefore restores the position as it was in the four colonies before union, and makes the Government, through the Minister of Justice, directly responsible.

The Agricultural Credits Act is an important step in the direction of assisting farmers to obtain credits on their crops and on personal security at reasonably low rates of interest. Hitherto the individual farmer has been able to obtain advances from the Land Bank only on first mortgage

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of his land. The new machinery set up under the Act will enable him, by becoming a member of a local co-operative credit society, to obtain advances from the Bank on the security of his produce, and of the joint personal liability of the members of the society. The Act amending the law on naturalisation by adopting the necessary provisions of the British Naturalisation Act, enables the Government of the Union to grant naturalisation conferring the full rights of natural born British subjects. This removes, as far as South Africa is concerned, a grievance which has been long felt and has been a subject of discussion at Imperial Conferences, *i.e.*, that a person becoming naturalised as a British subject in one of the Dominions was a British subject only within that Dominion.

The financial position, as reflected in the budget both of the general Government and of the Railways and Harbours Administration, was eminently satisfactory. The general revenue for the year ending March 31, 1926, showed an increase over the estimate of £938,000. The revenue received during the year amounted to £27,030,000, and the expenditure chargeable against it to £26,400,000, so that the year closed with a surplus of £630,000. The chief fiscal changes carried into effect during the session were an increase in the income tax abatement from £300, at which it previously stood, to £400 in the case of married taxpayers, and certain adjustments in the customs tariff intended for the protection or encouragement of South African industries. A new departure was made in regard to provision for a sinking fund for the public debt. Hitherto there has been no general provision for a sinking fund. Certain particular loans have had sinking fund provisions attached to them; but, except for the loans raised after the Anglo-Boer War, and guaranteed by the British Treasury, for the reconstruction of the new colonies, no loan at present outstanding carries such a provision. The guaranteed loan just mentioned amounts to £40,000,000, and for that a sinking fund of 1 per cent.



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is provided. The law also required any surplus on revenue account to be paid over for the redemption of debt, but the total amount paid over since union on this account, after deducting accumulated deficits charged to loan account, has amounted to little more than £2,500,000. What has now been done is to provide for a definite annual payment for the next forty years of £650,000, including the £400,000, which is applicable to the guaranteed loan. The additional £250,000 will be devoted generally to making provision for redemption of debt, and interest at  $4\frac{1}{2}$  per cent. on the amount of all stocks cancelled or redeemed during that period will also be paid into the sinking fund. The effect of this will be that at the end of the period of forty years £69,500,000 of debt will have been redeemed, which is more than the total amount of what is known as the unproductive debt. That term, in the official usage of the Treasury, is applied to that part of the public debt not represented by assets which provide for the interest upon it. In its conception the scheme is most commendable. But many strange things may happen in forty years, and it remains to be seen if this sinking fund, conceived as others have been in days of financial virtue and overflowing revenues, will escape the fate which has overtaken them when the lean years come. The public debt, in the meantime, continues to grow. At March 31, 1926, it amounted to £221,933,000, which shows an increase of £7,600,000 during the financial year. For the current year the estimated expenditure on loan services is £13,584,000, including £6,000,000 for railway and harbour construction. Towards this it is estimated that there will be received on revenue account £2,365,000, being receipts from mining leases, which are by law allocated to the loan account, and sales of land, so that after allowing for credit balances in the account at the beginning of the financial year an amount of approximately £10,000,000 will have to be borrowed if the full programme is to be carried out. In considering the figure



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stated above as representing the public debt of the Union it should be borne in mind that it includes also the debts of the provinces as they obtain from the Union Treasury whatever funds they require to borrow.

The budget of the Railways and Harbours Administration disclosed also a satisfactory increase of revenue, exceeding the estimate by—in round figures—£2½ millions, and the account at the end of the financial year showed a surplus of £764,000 after providing for interest on capital and making substantial allocations for depreciation of permanent way and works and rolling stock and for expenditure on betterment. A surplus on the working of the Railways and Harbours Administration, it must be remembered, has to be used for the purposes of the Administration, and does not go to the coffers of the Treasury. The revenue for the current year is estimated at £27,247,000 and the expenditure on working costs, interest on capital and depreciation at £26,522,000 leaving a balance of £725,000 to be allocated for betterment, contribution to deficiencies on the Pension Fund and reduction of capital.

Of the controversial matters which came forward towards the end of the session the one which roused most interest outside Parliament was the Bill to authorise a new national flag for South Africa. That, however, is dealt with in a separate section. Another was a Bill for altering the constitution and powers of the Senate. Hitherto the Senate has consisted of eight members (two for each province) nominated by the Governor-General and thirty-two (eight for each province) elected by the members of the House of Assembly and the Provincial Council for the respective provinces. The Senate could, but need not, be dissolved at the same time as the House of Assembly but could not be dissolved by itself. It has always been a matter of complaint with the parties now in power that as the Senate was not dissolved on the last dissolution of the House of Assembly, they came into office with a

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large majority in the lower House only to find themselves checked by the existence of a Senate in which their opponents had a majority. The Bill as introduced provided that the Senate might be dissolved by itself within three months after a dissolution of the House of Assembly, also that on a dissolution of the Senate the nominated members should vacate their seats, even if the period for which they had been appointed had not expired, and further that the nominated Senators should automatically retire on the occurrence of a change of Government.

With regard to the powers of the Senate the Bill provided that if a Bill (other than a money Bill) is passed by the House of Assembly and rejected by the Senate or passed with amendments to which the lower House will not agree, it could be brought forward in the next ensuing ordinary session and then, if passed again by the House of Assembly in the same form as before, it would become law without being submitted to the Senate. Under the provisions of the Act of Union, such a Bill if passed again by the lower House in the next ensuing session would again go to the Senate, and if again rejected there, or passed with unacceptable amendments, a joint sitting of both Houses could be called to decide by a majority whether the Bill should or should not become law. The Bill therefore, as will be seen, proposed to dispense with the joint sitting in such cases, by making the consent of the Senate unnecessary after the second passing of the Bill by the lower House. During the passage of the amending Bill through the Senate, however, the latter part was dropped. The Act therefore, as passed, leaves untouched the powers of the Senate, and provides only for empowering the Governor-General to dissolve it within 120 days after a dissolution of the House of Assembly and for the vacation of their seats by the nominated members on any such dissolution or on a change of Government even if there has been no dissolution of the Senate as a whole.

Other measures of a contentious character which were

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passed or proposed were of domestic rather than general interest. The Bills prepared by the Prime Minister to give effect to his policy in regard to natives and to the voting rights of coloured persons were, as was promised by him, formally laid before the House of Assembly, with the intention that they shall be proceeded with during next session. They involve, among other things, a radical alteration of the franchise laws of the Cape Province. They will, however, be dealt with more fully on another occasion.

The question of women's franchise was advanced a step during the session by the appointment of a Select Committee which reported in favour of extending the franchise to European women only, on the same qualifications as it is now enjoyed by men in the various provinces. This is intended to get over the opposition to the enfranchisement of women on the same qualifications as men on the part of those who object to any further extension of voting rights to natives or coloured persons under the low standard of qualification existing in the Cape Province. If, however, the new proposals of the Prime Minister result in a revision of the Cape franchise laws as affecting natives and coloured persons there would seem to be no reason for creating a new colour bar in our franchise laws by enfranchising European women only.

### III. THE 1820 MEMORIAL SETTLERS' ASSOCIATION

FROM the earliest days of the occupation of the Cape, agriculture has been the most important economic activity in South Africa. Even to-day, notwithstanding fifty years of mining development and the more recent industrial progress encouraged by war-time scarcity and the post-war tariff, agriculture still contributes the largest proportion (21 per cent.) of the national income. Estimates of miner's reserves on the one hand, and the smallness of the South

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African market for industrial products on the other, both afford strong reasons for the opinion that agriculture will continue for some time to occupy the foremost position.

Although the Government policy of favouring industrial development by means of a tariff must hinder the expansion of farming for export, an endeavour is certainly made to provide compensating assistance to the farming community. It is no part of our present purpose to discuss the effects of this policy in transferring the incidence of the burden on to shoulders which are still less sturdy than those of the South African farmers. The point is that the farmers do receive a great deal of assistance from the State. As everywhere, their contribution to direct taxation is comparatively small; and in the new customs tariff the rates on articles which *directly* concern the farmer are low, if not entirely removed. In addition, State assistance of a more positive character is liberally granted. The conversion of South African farming from an easy-going subsistence economy to the very exacting demands of world competition, in a trade that requires regular supplies of uniformly sustained quality, is no light achievement. South African agriculture in the twentieth century is not an easy occupation, although it can be made a very profitable one. The climatic conditions which have earned for this Dominion the name of "Sunny South Africa" are favourable to the growth of many other organisms, besides crops and livestock, and the Government employs a small army of experts in the task of studying and endeavouring to control them. In the Appropriation Act for the current year more than £1,500,000 is again voted on Revenue Account to Agriculture, Forestry, Lands and Irrigation, and on Loan Account nearly £2,500,000 (including over £1,000,000 to the Land Bank) is allocated to the same purposes. The newly reorganised Department of Agriculture renders a notable service through its four divisions—Animal and Field Husbandry, Economics and Markets, Veterinary and Extension—to the farming community.

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That in itself, however, is not enough. Government departments do not grow the crops or rear the stock, and the whole of the organisation would remain ineffective if the farming community were not of the right type. The deepest well of agricultural science is useless if the farmer, on being led to it, will not or cannot drink. South Africa has already learnt that a man is not made into a good farmer by merely being born a farmer's son. "No matter how good the scheme," write the Irrigation Finance Commissioners in their First Report, "if the settler is not the right type, he will not make a success. Settlers should be carefully chosen; experience, aptitude and other characteristics which tend to suit them for this particular kind of work must be considered." The 1820 Memorial Settlers' Association has well earned the prominence which it has attained, precisely because of its success in introducing the type of settler who makes good.

The 1820 Memorial Settlers' Association was established in 1920 "to commemorate and to perpetuate the memory of the pioneers of 1820 by judicious and properly conducted immigration, and land settlement on scientific lines by the introduction of men and women of the right type into South Africa." In the middle of the year 1820 nearly 3,500 settlers in fifty-six parties arrived at Algoa Bay in sixteen ships, the British Government having voted £50,000 in July of the previous year to assist the scheme. To each of the male settlers a hundred acres of land were allotted along the Fish River, from close to the mouth northward towards Grahamstown. They formed the line of defence between the Cape colonists and the Kaffirs, and they with their descendants have played a by no means small part in the development of South Africa. It is fitting that the name of the Association should recall the memory of those pioneers.

Recent experience has shown that effective machinery for advising intending settlers and facilitating immigration is essential if young men coming out to farm in South

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Africa are to be saved from failure and disappointment. The prospects are most favourable for "men with some capital, preferably men who already know the rudiments of veterinary and agricultural science. Even these men must get experience in local methods and conditions before they can farm with success in South Africa." The Association is not a money making concern, and it rigidly abstains from dealing in land. In consequence it is able to give to approved settlers disinterested advice and assistance.

The work of interviewing, advising and approving intending settlers in Great Britain is controlled by a London Committee, under the chairmanship until recently of Sir Lionel Phillips and now of Lord Selborne, a former Governor and High Commissioner in South Africa. A similar committee exists in India. The Association accepts under its aegis settlers of satisfactory health and character who possess a minimum capital of £1,500 if single, or £2,000 if married. Approved settlers secure a reduction in the steamship fare to South Africa, and on arrival at Cape Town are met by the representative of the Association.

The South African end of the organisation comprises a Central Executive under the chairmanship of Sir Charles Crewe, with Colonel George Morris as General Secretary and Manager for Settlement, at Cape Town. Area organisations exist throughout the Union and in Rhodesia, with offices at the chief centres and numerous branches.

Settlers who wish to take up land and start farming at once discuss their requirements with the General Manager on arrival, and receive the assistance and advice of the Association in the choice of a property. The Association aims at ensuring that the purchaser obtains trustworthy information concerning the possibilities of any holding before parting with his money, and the full co-operation of the Department of Lands is available in the arrangement of suitable terms of payment.

For the most part, however, settlers go through a course of training before acquiring a farm. The system is note-

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worthy, in that the student's capital can be maintained intact throughout the course. A large number of farmers take pupils on their farms for periods of one or two years, the pupil working regular farm hours to gain practical experience, in return for free board and lodging. In the case of married settlers, where suitable compensating occupation for the wife cannot be found on the farm to justify free board and lodging, the settler pays for the maintenance of his wife. The readiness of farmers to take approved settlers as pupils has contributed largely to the success of the work of the organisation. At the completion of his period of training the settler may either continue his studies at one of the agricultural colleges, or proceed with the assistance of the Association to acquire a farm of his own.

A new development in this connection has been the acquisition by the Association of a training farm and hostel for fifty or sixty students at Tarka, in the Cradock district, about six hours by rail north of Port Elizabeth. The farm is a typical holding on a Government irrigation scheme on the Great Fish River, and a varied class of agriculture is conducted, including dairying, sheep, several crops, fruit growing and general farm activities. The younger settlers are sent to the training farm for an intensive course extending over four or five months, during which period the superintendent is able to judge of their aptitude. In this way loss of time and money in the continuance of work for which the student is unfitted can be avoided before any definite step has been taken. The students provide their own clothing and linen, and pay £5 monthly for tuition, board and lodging. The fact that little native labour is employed, and that the training is conducted by an experienced staff of specialists, ensures a thorough and practical course, and is resulting in the farm becoming a demonstration holding for the benefit of the whole district.

The work of the Association has been rewarded with a very gratifying success. Well over 1,500 settlers have



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already been introduced, bringing with them about 1,000 dependents, and possessing over £3,500,000 of capital. Of these settlers, over 600 at the end of May last had already acquired land, and less than 250 had for various reasons abandoned the idea of settling. The Association relies largely on voluntary subscriptions to finance its operations. In 1923 a formal constitution was adopted in order to facilitate the acquisition of property, and trustees were appointed by deed. The British Government makes a *per capita* grant for each adult settler, and the amount has recently been increased from £10 to £16, with the result that the London end of the organisation has become self-supporting. The British Government has also contributed towards the cost of equipping the training farm, and the Association generally works in close touch with the Overseas Settlement Committee of the Colonial Office. A fund of £100,000, which has been privately donated, has been vested in the trustees; the Rhodes Trust has given £20,000, and an endeavour is being made to raise another £40,000 in England. In South Africa liberal contributions have been made by the mining and commercial houses and other supporters of the Association, and the Government of Southern Rhodesia makes a grant.

As regards the type of settler introduced, the Association well deserves the congratulations that it has received on all sides. Travelling recently between Stormberg and East London, the present writer shared a compartment with a young ex-officer returning to his farm from a "refresher" course at the Middelburg (Cape) Agricultural College. Every six months he or his partner spent a fortnight at the college discussing problems that had arisen with the staff, and gleaned new ideas. The farm, in the rolling country of the Komgha district, was in a flourishing condition. Their merino wool regularly sold at the top price, although they secured two clips every year. One partner had revived the district Agricultural Society and acted as its secretary, the other was chairman of the Farmers' Association.

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Largely as the result of the keenness of these two newcomers, agricultural methods throughout the locality were being steadily improved and the whole district was being transformed. It is a typical instance of the work that the 1820 Memorial Association's settlers are doing in South Africa.

South Africa. July 22, 1926.

## NEW ZEALAND

### I. CURRENT POLITICS

THE political history of the Dominion in the last few months has naturally been dull, but will probably liven up now that the parliamentary session has opened. On April 15 last a bye-election was held to fill the vacancy at Eden created by the resignation of Sir James Parr preparatory to his assumption of the post of High Commissioner. In this contest the Government was officially represented by Sir James Gunson, a well-known Auckland business man with a long period of service on local bodies to his credit, but the issue was complicated by the intrusion into the field of an unofficial Government candidate in the person of Miss E. Melville, who has previously contested seats for the Government in the Auckland district, and polled well. The split in the Government vote resulted in the return of the Labour candidate, Mr. H. G. R. Mason, who has contested the seat against Sir James Parr on previous occasions, and who is a barrister and a university man of culture. The final figures were as follows:—

Mr. Mason	..	..	4,589	Miss Melville	..	2,197
Sir James Gunson	..	..	4,163	Informal	..	99
Total, 11,048.						

It is not the first time that a woman has caused trouble in Eden, but the bye-election has little political significance as an indication of confidence in the Government, for

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party voting strength was substantially unaltered, and it was not altogether a surprise. Evidence accumulated during the campaign that Sir James Gunson, whatever his past services to Auckland may have been, is not personally popular at the present time, and his adhesion to the Government ranks was considered by many to have been suspiciously recent. Sympathy was felt for Miss Melville in the way she had been treated at the selection ballot of the Government party, while Mr. Mason was a strong candidate and well known in the electorate. The important result of the bye-election is to place beyond doubt the right of the Labour party to be considered as the official Opposition. Mr. Coates accepted the situation with that philosophy and good temper which, whatever his political actions, are rendering him a highly popular man in the country, and a soothing influence in party politics. The present party strength is :

Government .. .. .	55
Opposition (Labour) .. .. .	13
Nationalists and Miscellaneous .. .. .	12

On May 24 last Mr. Coates made the long delayed announcement as regards Cabinet reconstruction as follows :—

Mr. Coates : Prime Minister, and Railways, Public Works, and Native Affairs.

Mr. Downie Stewart : Finance.

Mr. McLeod : Lands, Industries and Commerce.

Mr. Anderson : Labour, Mines and Marine.

Mr. Bollard : Internal Affairs.

Mr. Young : Health.

Mr. Hawken : Agriculture.

Mr. F. J. Rolleston : Attorney-General, Justice and Defence.

Mr. Nosworthy : External Affairs and Postmaster-General.

Mr. Wright : Education.

Sir Heaton Rhodes : acting Leader of the Upper House.

Sir M. Pomare : to represent the Native Race.

Sir Francis Bell : without Portfolio.

Mr. Guthrie : without Portfolio.

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On June 11 Mr. Coates announced the appointment of Mr. H. S. Williams as Minister of Public Works, bringing the Cabinet up to its full numerical strength. Messrs. Wright and Williams are new Ministers.

It cannot be said that the new Cabinet excites enthusiasm, but the task of the Premier was not an easy one, and it would be hard to point out, in his large following of second-rate party adherents, better men than those actually selected. Some surprise has been occasioned by the omission of Mr. D. Jones, Chairman of the Meat Export Control Board, who is currently regarded as one of the few able men in the House of Representatives at the present time.

### II. THE EXPORT CONTROL SYSTEM

ALTHOUGH New Zealand affairs have been devoid of outstanding interest or importance in the political sphere during the last few months, on the social and economic side there has been lively discussion and interest in regard to several important matters which are vitally relevant to our future prosperity. Chief among these, perhaps, have been the problems raised by the existence and operations of the Export Control Boards. The nature of these remarkable bodies has been described in previous issues of *THE ROUND TABLE*,\* but so far no systematic study appears to have been made of the underlying economic principles or of the work that they may be expected to do, the difficulties they may have to face, and the dangers to which an unwise use of their powers may expose the country.

The origin and justification of our export control policy is to be found in the special circumstances of the Dominion,

\* *THE ROUND TABLE*, No. 47, June 1922, p. 682; No. 53, December 1923, p. 190; No. 58, March 1925, p. 412.

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and in the nature of the demand for those primary products which constitute the main source of our prosperity and even of our existence as a community. In more than a geographical sense New Zealand is the Antipodes of Great Britain. Our economic life presents analogous but inverted problems. Britain is a densely populated group of islands, unable to feed her population from her own soil, manufacturing a much greater volume of commodities than she can personally consume, and paying for her imported food by exporting the products of her looms and foundries. New Zealand, on the other hand, is a sparsely populated group of islands, unable at the present time, and, as far as we can now see, unlikely in the future also, to produce sufficient manufactured commodities for her own requirements, but producing raw materials in far greater volume than she can herself consume, and paying for the manufactured commodities that she imports by the export of these raw materials. To both Britain and New Zealand foreign trade is of essential importance; and in each case that foreign trade, per head of the population, is abnormally large. Whether this is a source of national strength or weakness it is not relevant to our present purpose to inquire. Here, however, the analogy seems to end, for though we could live, for a time at least, after a rough and primitive fashion without imported manufactures, Britain could not exist without imported food. The nature of the demand for our products is vitally different from the demand for manufactured commodities, and the marketing conditions also are essentially different.

In the year 1925 the aggregate foreign trade of New Zealand, according to official sources, was, in millions of pounds, £107.7, of which imports amounted to £52.5 and exports to £55.2. Of the exports wool accounted for £17.7, butter and cheese for £16.0, and frozen meat for £11.2. These figures are correct to the nearest decimal of one million sterling, but the figure for wool is abnormally high. Taking percentages instead of absolute figures, we

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find that in the same year the composition of our exports was as follows :—

	Per cent.		Per cent.
Pastoral products..	94.2	Forest products ..	1.8
Agricultural products ..	.9	Rest .. ..	1.7
Mining products ..	1.4		

It is thus seen that New Zealand is, as many have delighted to call her, an outlying farm or supply station for the Mother Country, and that the Meat and Dairy Export Control Boards are between them responsible for the handling of nearly 95 per cent. of our export trade. It is characteristic of raw materials that, as compared with manufactured commodities, the demand for them is "sticky" or inelastic, and so is the supply. It is not possible to control or vary primary production in the same manner that the process of manufacturing can be accelerated or slowed down, nor is it possible for the farmer with ease to move from one line of production to another. In many cases the nature of his land determines somewhat rigidly the type of farming he has to follow; while the nature of the season determines whether the crop will be abundant or scanty. If market prospects are bad the manufacturer of boots or flat-irons can shut down; not so the farmer. Farmers further cannot combine effectively for production; the value of their products is determined by conditions at the other end of the world which are beyond their control, and they must take world parity; while any restriction of production on their part as individuals will not affect the situation. They can, however, combine in marketing, and this they are tending to do all over the world. Of this tendency Control Boards are one manifestation which has for some years been asserting itself more and more clearly in various countries which produce raw materials.

On the side of the consumer, it has long been noticed that the nature of the demand for raw materials is such



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as to produce wide and rapid oscillations of prices. The demand is urgent, and must be satisfied at almost any price. If gramophone records seem too dear, we go without them; if bread is costly, we grumble and pay. Once our desire for bread is satisfied, moreover, we do not greatly covet more, and the result is that in the raw material markets of the world a marked increase in supply causes a great fall in prices, just as a marked shortage pushes prices up to a high figure. As it happens, the supply of products of this kind is variable and uncontrollable; so that, unlike manufactured commodities, our products have to be sold in a market which is subject to wide oscillations of price. It is in these circumstances that commodities, as soon as they become susceptible to the process of grading and standardisation, become appropriate objects for speculation.

It would be pedantic and tedious to draw attention to the economic utility of speculation in raw products as a means of steadying prices, or at all events, of making the daily price correspond more closely to the seasonal price than it would do in the absence of speculation. Our farmers do not understand, as a body, the inherently speculative character of their products; they view all speculation as harmful, possibly as morally reprehensible, certainly as effected at their expense; and whether this view is right or wrong, the important fact is that it is entertained by most of our primary producers. This explains why, in the attempt to protect their interests, and to eliminate price fluctuations which they think are caused by the operations of middlemen, they have taken steps to regulate the rate of supply to the market, clearly realising that they cannot regulate demand.

Our exports are vital to our prosperity, for rich as we are in potential resources, we are dependent upon the import of capital to develop them, and could not carry out the public works which are generally regarded as of urgent importance, or develop our country, without loans

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from Britain or some other outside source. The interest on these loans, as well as the bill for our imports, we pay (in so far as we do not add it to our capital liabilities) by the export of raw materials. The higher their price, the less the burden of our external commitments, and *vice versa*. It is, therefore, greatly to our interest to extend our exports in volume and to sustain them in price. Apart from foreign sources of demand, our exportable surplus would be of little use to ourselves or to anybody else, and our land values and national life would crumble.

Finally, we are situated at the maximum distance from our customers, and in this respect, we are less favourably placed than our principal present, and probable future, competitors. We have no shipping lines of our own and no resources with which to acquire them, so that we are entirely dependent on British shipping lines to place our produce on the London market; and when it gets there we are so isolated by our distance that we do not know what is happening, and when prices are unsatisfactory suspect the worst. Our products and their marketing are of such essential importance as to justify State intervention in their favour should the occasion arise, especially as New Zealand has a long established tradition of Government intervention in economic activities for the presumed good of the community, and the State has never hesitated to step in and to control in the most drastic manner the way in which our citizens carry on their business. What then would be more natural, or more in accord with precedent and public opinion, than to regulate in the interests of the country the distribution and sale of the products which constitute, economically speaking, the lifeblood of the Dominion?

In the period 1921-22, circumstances justifying such a course seemed to many of the interested parties to have come into existence. The post-war boom had burst, the market was bad, and prices were disorganised. Many of the refrigerating plants in the country were in a parlous

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plight, and the industry was clearly over-capitalised, as it still is.\* There was no co-ordination or understanding among the operating companies in either the meat or dairy-ing industries, supplies were going forward in the most erratic and irregular fashion, there was talk of shipping mergers and fear of meat and transport trusts, competition from our more favourably situated competitors was believed to be increasing both in volume and in menace, while the handling, grading and packing of our produce were causing complaints, and its reputation was being imperilled. To restore order in this chaos, the first Export Control Act (the Meat Export Control Act, 1921-22) was passed on February 11, 1922, with the consent and approval of the vast majority of the parties interested, and its preamble is significant, in that it gives the official and prevalent view of the circumstances that justified the legislation. After stating that "the economic welfare of New Zealand has lately been adversely affected by reasons of a reduction in the net returns receivable by persons engaged in the business of the production of meat for export, such reduction being due in part to falling prices, and in part to the charges payable in respect of freight and other services," the Act creates the Meat Producers' Board described in previous issues. This example was subsequently followed in the dairy produce, fruit, honey and kauri gum industries, but only the Meat Board and the Dairy Board are of any significance.

It was generally anticipated that the Boards would content themselves with the regulation of shipment, freight, grading, insurance and handling, and would not make any attempt to interfere with existing channels of distribution at the other end, it being well recognised that such interference was a delicate, precarious and dangerous matter; for we have by no means a monopoly of supply, and our customers could, if necessary, render themselves

\* THE ROUND TABLE, No. 47, June 1922, p. 683.

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altogether independent of our quota. Power was, however, given to the Boards to apply for an Order-in-Council enabling them to regulate and control sales overseas, and even to conduct such sales themselves. While the Meat Board has confined its operations to the anticipated objectives and not interfered with distribution and sale at the other end, the Dairy Board has taken the power of sale, which it proposes to exercise as from September 1 next. When exercised, it will convert the Board into a State-imposed and State-sanctioned cartel on the Continental model. It would be idle to deny that this step has caused considerable misgivings here in responsible circles outside the dairy industry, and that there is strong opposition to it within the industry itself. The Board, however, claims that it has always intended to exercise this power, that the power would not have been inserted in the Act had it not been intended to be made operative; that a large majority of the producers directly concerned voted for the Act before it was introduced; that the opposition comes entirely from interested parties who will be deprived of middlemen's profits when compulsory control is in force, that such opposition as there is is vocal, not to say vociferous, out of all relation to its real strength, and that the assumption of control will benefit the New Zealand producer without injuring the British consumer, and will not disturb existing financial methods in the industry. It must also be admitted that at recent meetings, dairy farmers have substantially re-affirmed their confidence in the Dairy Board. The Board for its part ascribes misgivings in commercial circles at home to misrepresentation of the position by interested parties, and declares that it still possesses the confidence of Tooley Street, and will work, as heretofore, with the London merchants.

The predominant method of financing the dairy industry, which is rapidly becoming the most important of our export industries, is somewhat peculiar, and illustrates our extreme dependence on outside capital not merely for

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development, but also for working purposes. Hitherto each individual dairy factory has made its own arrangement with regard to the London broker to whom it is going to consign its produce, and he in his turn establishes a credit in New Zealand, usually at the bank of the dairy company. The credit is transferred to the account of the company by cheque against deliveries of produce to the New Zealand agent of the London firm, or against store warrants. Under the limited control which has hitherto prevailed the Dairy Board sends the bill of lading to the company's bank, releasing equivalent credits from the fund established by the London broker. These advances are believed to run to about 80 per cent., though sometimes to an even higher percentage of the estimated value of the produce, which is then shipped to London under transport arrangements effected by the Board, the balance being credited to the company when account sales are rendered on the completion of the transaction. The dairy industry is thus financed to the extent of about 80 per cent. of the value of the output by advances from London brokers in anticipation of sale.

The assistance thus rendered is of crucial importance to the industry in its present state of organisation, and the goodwill of the London merchants is indispensable, since without their aid we could not finance our dairy exports as in the past. What the opponents of the Board allege but do not prove, is that in some way or other the adoption of compulsory control by the Board will render these well-tried methods of finance inoperative by raising the ill-will of the London houses, and inducing them to withhold financial assistance. This the Board flatly denies, saying that it does not propose to eliminate or alter existing arrangements, but to consolidate them. The merchants will not be disturbed in their present activities, and will have their existing business stabilised and guaranteed. The Board proposes, by arrangement with the London brokers, to apportion the volume of business, to assure them a definite amount of trade and to stabilise their

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clientèle. It will assign definite supplies to various firms, obtain from these firms an aggregate credit for the whole export business, and deplete this credit, as at present, by transferring it to individual factories against store warrants or shipping documents. The credit, in other words, instead of going direct to the factory from the merchant through the local agent, will go to the factory through the Dairy Board. The Board states positively that it has brought these arrangements to their final stage; and it cannot be denied that the method proposed is sound and in accordance with the past custom of the dairy industry.

It is not possible at the moment to state with confidence whether, in view of the strong agitation against the assumption of absolute control, Parliament will in the ensuing session interfere to curtail the powers of the Board. At present the probabilities are against such intervention, but nothing can be affirmed for certain with any degree of confidence. It may, however, be worth while to try to estimate the value of the whole movement, and briefly to examine what may reasonably be expected from the inauguration of the system. To object to export control *in limine* as "socialistic" or "bureaucratic," and so on, is to beg the question, since the day is long past, in New Zealand at any rate, when a proposal can be dismissed merely on the ground that it involves an extension of State compulsion. In such a matter as the handling of the national export trade, compulsory powers are particularly necessary, since a recalcitrant minority could otherwise stand out, wreck the scheme, and nullify whatever benefits might be derivable from it.

The Boards have no direct influence whatever over the individual producer at the production end; no cartel ever has; but their influence over the selling end, the prestige they derive from the backing of the State, and the fact that they are mainly composed of producers' representatives, makes them a force that cannot lightly be disregarded in any branch of the industry. From this point of view con-

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siderable advantages might be gained, since the Boards can improve production by diffusing the latest information as to methods and processes, by promoting and initiating research into technical problems, by pooling manufacturing secrets, by acquiring and making generally available patents and proprietary accessories, and by stimulating efficiency in management by comparative returns showing sources of leakage and promoting a keenness to remove them. Of course, it might be contended that these desiderata could be secured without the cumbrous machinery of a State Control Board, but it is not very obvious that a body with less prestige could effect improvements in the directions indicated, and there is so far no sign of ossification or red tape in the methods that have been employed.

In the intermediate processes between actual manufacture and selling it seems that the Boards are in a position to secure many of the traditional advantages that go with large scale operations, and these could hardly be secured with any other machinery. Among them are improvements in packing, grading, handling and storing, and especially in eliminating the high cost of storage in Britain by making full use of the cold storage facilities available in the Dominion. Uniformity in packing and grading, and the reduction of standard brands to the minimum, as well as the initiation of a comprehensive and unified advertising campaign will, if conducted by a single organisation pushing a single brand, secure the advantage of mass suggestion, which it does not seem possible to secure by any form of voluntary co-operation among the producers affected. Massive simple repetition is the secret of successful advertisement, and a multiplicity of different brands simply cancels the mental impression intended to be produced on the mind of the prospective customer.

Economies can be effected, too, in the matter of insurance. Even in negotiating with the shipping interests, which are not completely competitive, the fact that the industry can act as one body, with uniform shipping



## The Export Control System

conditions and large bills of lading, and can regularise shipments and eliminate much expense and trouble, will be reflected in an easing of freights; in negotiations with insurance interests, where competition is keener, even greater advantages may be secured. Perhaps the most important service that the Boards can furnish, however, is in the sphere of statistics and information. The relevant data can be re-tabulated, examined and made generally available by the Boards. We ought to diffuse information, for example, about our produce. What proportion do our exports form of our total production, what sources of supply compete for the British market, what is their trend, what proportion do we supply to Britain and to outside markets respectively, what is the aggregate world consumption, and in what direction is it moving? All these data are on record and should be made accessible to our producers to help their plans for the future. The Boards are in a position to bring home to them the great value of statistics as a guide in their operations.

There is no disguising the difficulties that face these experiments in organised marketing. The hostility of local middlemen may be used in London with damaging effect, while the impression produced by the very idea of export control, suggesting as it does price manipulation against the consumer, is liable to prejudice our standing in the British market. It may turn out that the local middlemen are rendering essential services, and the Boards may prove an inefficient substitute for their activities, or a more costly one. The great danger, if there is initial success, will be the temptation to seek to influence prices in the Home market. At present the Boards disclaim any such intention, but while the Meat Board is quite free from suspicion of anything of the sort, misgivings are felt with regard to the Dairy Board. It is quite clear that any attempt on the part of the Boards to manipulate the market at the other end would be as impolitic as it would ultimately be unsuccessful, and our economic interests are so vitally at stake

## New Zealand

that even the possibility of anything of the sort is viewed here in responsible circles with dismay equal to the annoyance with which it is regarded in Britain. The Dairy Board states that it has no such intention. It aims, it says, merely at avoiding or eliminating preventable fluctuation by regularising supply, but does not expect or intend to affect the average price level.

### III. PUBLIC FINANCE

THE recent loan offered on the London market on May 31 last by the Government of New Zealand has been completely successful. £6,000,000 at 5 per cent. interest was issued at £98 10s., and taken up within a few hours of being placed on the market. As compared with recent flotations, both by this country and other Dominions, the reception has been most favourable, last year's loan of £7,000,000 at 4½ per cent. issued at £94 10s. having been left with the underwriters to the extent of 85 per cent. The Government were not unnaturally extremely jubilant, and perhaps with fair justification; and, as they would have incurred a certain measure of local discredit in the event of a failure, they are entitled to some feeling of satisfaction at the present success. It cannot, however, be said that the pæans of triumph uttered by the Prime Minister are seriously warranted, or that the success of this loan means that the people of Britain have been seized with a profound admiration for the sturdiness of our national character, our robust patriotism, and the wealth of our natural resources.

The issue simply shows that there are many people in Britain who are prepared to lend money to the New Zealand Government at the satisfactory rate of £5 2s. 5d. per cent., especially since in the disturbed state of industry and commerce in Britain at the present time much capital that would normally go into industrial development is

## Public Finance

withheld from it because of unsatisfactory prospects. The successful flotation by Victoria of a loan of £3,000,000 on precisely the same terms a few days later seems to make this view more than probable, and the fact that we can still get money so easily, albeit at a high price, is really a cause for uneasiness, since it means that the works constructed with such funds will have to carry a heavy overhead charge for interest; the ease with which it can borrow may, moreover, tempt the Government to extravagant courses. Public and private extravagance, as has been pointed out by us at length in these columns before, is the curse of New Zealand finance.\* Our present Premier has acquired a reputation for getting things done, but, translated into financial terms, this means spending money with a lavish hand and leaving the consequences to the future.

Of late years the public and private indebtedness of the Dominion has been increasing at a rate that gives serious minded people some cause for concern. The essential facts are set out in the table below, total debt figures being given to the nearest fraction of a million sterling. The years selected are believed to be typical; 1906 being the year of Seddon's death, 1913 the year before the Great War, 1919 the year after it, and 1925 the last year for which complete figures are available.

Year.	Popu- lation (millions).	Central Government.			Local Authorities.		
		Net debt (millions).	Per head. £ s. d.		Gross debt (millions).	Per head. £ s. d.	
1906	.93	60.5	64 17 4		12.9	13 15 11	
1913	1.11	87.5	78 13 7		22.2	19 19 8	
1919	1.18	170.1	144 7 5		28.3	24 0 9	
1925	1.38	214.3	155 6 9		54.0	39 3 2	

In considering the enormous rise in the figures of recent years allowance must, however, be made for the great depreciation in the value of money, and for the fact that the debt is represented to a considerable extent by reproductive

\* THE ROUND TABLE, No. 48, September 1922, p. 927.

## New Zealand

and valuable assets. In 1925, for example, local bodies held assets valued at £57.1 millions, and the proportion of assets to debt has grown in the last decade. Taking the index for each in 1915 as 1,000, assets stood in 1925 at 2,186 and net debt at 2,159. Of the gross debt of the central government, amounting at March 31, 1925, to £227.8 millions, the distribution is officially given as below :—

	Million £.
A. Directly productive, invested in railways, telegraphs, telephones, lighthouses, harbours, mines, forests, water power, etc. . . . .	55.9
B. Investments and advances, bank stock, etc. . . . .	53.8
C. Indirectly productive, roads, bridges, water supply, immigration, etc. . . . .	16.6
D. Unproductive, covering Maori and European war debt . .	101.5
Total . . . .	227.8

Public buildings are included under D, but are really productive assets.

Of the first two categories of debt, however, some items are "reproductive" only in the least exact sense of the term. Millions for example will ultimately have to be written off the item of nearly ten million sterling raised for soldier settlement, and the item of nearly four millions for water power and electric development cannot be taken at its face value. It is clear, however, that more than half of the public debt is reproductive to a greater or less extent; and when allowance is made for nearly eighty millions sterling standing to the debit of the Maori and European wars, it cannot be said that the Dominion has not had fair value for its borrowing, or that it has, on the whole, made a foolish use of the funds which it has raised.

We are, however, adopting the very vicious practice of borrowing abroad a sum which is virtually the amount of our annual interest. We have to find a little over five millions sterling per annum for interest due abroad, and

## Public Finance

this represents, by and large, the average amount of our public borrowings. There must sooner or later, and sooner preferably to later, be an alteration in our present trade balance to cope with this situation.

Official figures disclose that in only one year out of the last five have our exports shown a surplus over imports sufficient to cover interest charges, and as the value of our products is falling while our interest commitments are increasing, the position is far from satisfactory. The drop in value, but not in volume, of our exports is shown in the figures for the year ending in April 1926, *i.e.*, exports £46.9 millions, imports £52.7 millions, deficiency on balance of trade £5.9 millions. For that period we are, therefore, about ten millions to the bad, though caution must be exercised in drawing inferences from the figures of a single year. We shall have to import less, spend less, and produce more.

If we were increasing our productive capacity *pari passu* with the growth of our commitments there would be less ground for misgiving. This, however, does not seem to be the case. The matter has recently been investigated in one of the excellent bulletins prepared for the Canterbury Chamber of Commerce by the Economics Department of Canterbury University College, which gives the following important table (*Bulletin* No. 15, April 1926).

Period.	Actual value per head. £	Index of value per head.	Index of wholesale prices.	Index of volume per head.
1900-01	39.4	80	94	85
1905-06	42.7	86	101	85
1910-11	49.5	100	100	100
1915-16	64.4	130	139	94
1918-19	75.1	152	184	82
1919-20	81.8	165	220	75
1920-21	79.3	160	208	77
1921-22	69.6	140	184	76
1922-23	75.2	152	181	84
1923-24	79.3	160	187	86
				891

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The first column eliminates the effect of increase in population by bringing the data of production to a per capita basis, while the second makes them more comparable by reducing them to an index number with the period 1910-11 as base year. The third column shows the disturbance due to the changing price level and the fourth removes this disturbance, being the quotient of the production index divided by the price index. It is thus seen that volume of production per head, after rising, has fallen to what it was a generation ago. These figures make it clear that increased production is imperative in New Zealand, and the Government seems to be seized of this, as is shown by the fact that it has secured the services of Sir Frank Heath to report on avenues for increased national efficiency, and by the determination that it has expressed to follow out his recommendations. The country is sound and prosperous, and only wants a lead to turn men's minds to the urgent necessity of producing more and spending less. If we can shake off our hitherto ineradicable extravagance we shall be all right.

New Zealand. June 21, 1926.

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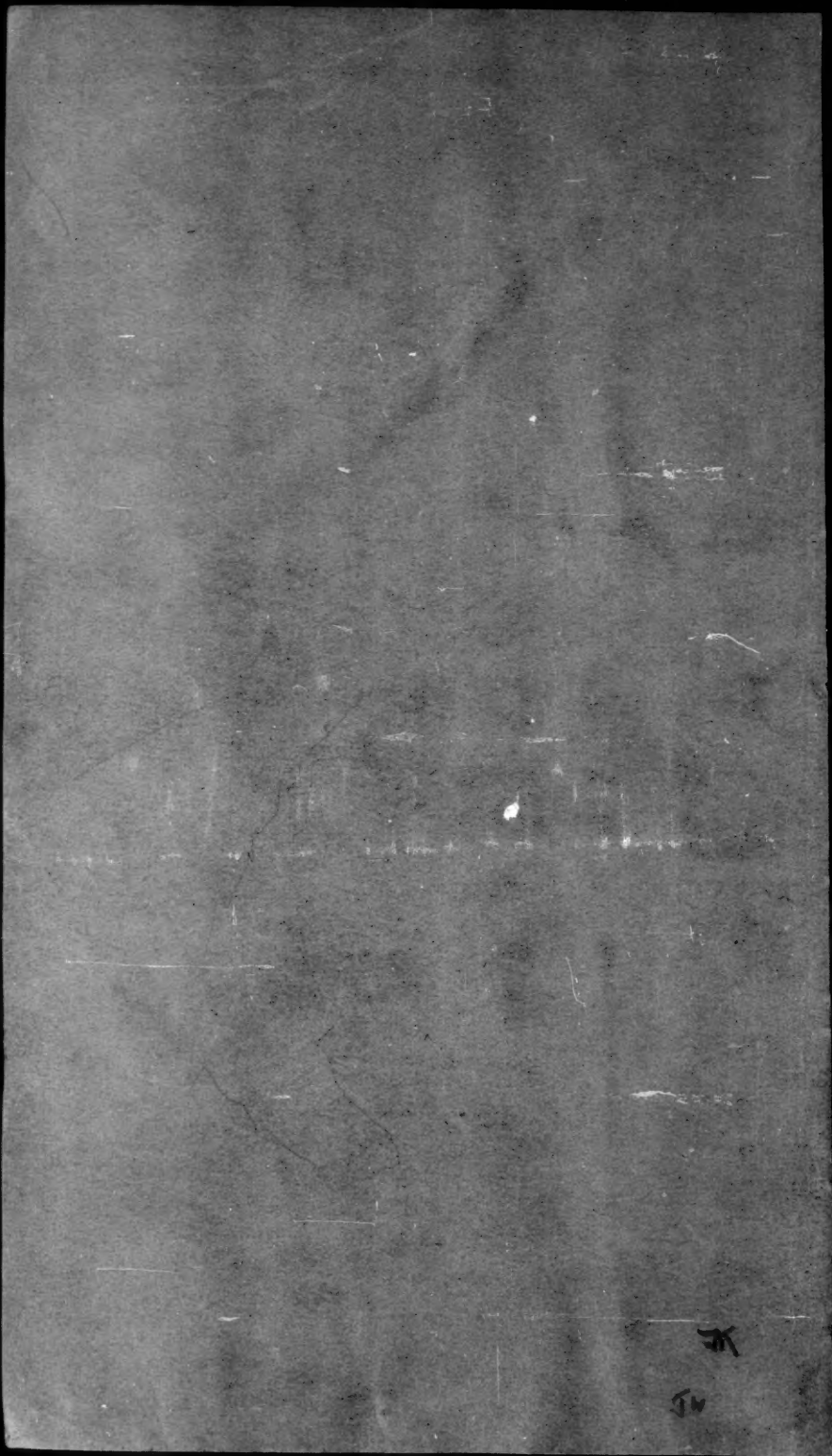
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